

# ARYZTAAG

## **Annual General Meeting**

Shareholder information on the proposals of the Board of Directors submitted to the shareholders for approval at the Annual General Meeting of 17 November 2021 for the compensation of the Board of Directors and Executive Management

In accordance with the Ordinance against Excessive Compensation of Listed Stock Companies, the Swiss Code of Best Practice for Corporate Governance, and considering ARYZTA's Articles of Association, ARYZTA's Board of Directors ('Board') will ask the shareholders to approve prospectively in a binding vote the maximum aggregate compensation of the Board and for the Executive Management as well as to express retrospectively in a non-binding advisory vote their opinion on the Compensation Report 2021.

## 1. Agenda Item 1.2: Non-binding advisory Vote on the Compensation Report 2021



**MOTION:** The Board proposes that the Compensation Report for the financial year 2021 be ratified in a non-binding advisory vote.

## 2. Agenda Item 5.1: Compensation of the Board until the next Annual General Meeting ('AGM')



**MOTION:** The Board proposes the approval of a maximum aggregate amount of remuneration of the Board for the period from AGM 2021 to the AGM 2022 of CHF 1,300,000 (one million three hundred thousand Swiss francs).

## 3. Agenda Item 5.2: Compensation of Executive Management for the financial year 2023 ('FY2023')



**MOTION:** The Board proposes the approval of a maximum aggregate amount of remuneration of the members of the Executive Management for FY2023 (ending 31 July 2023) of CHF 10,000,000 (ten million Swiss francs).

## Agenda Item 1.2

### Non-binding advisory vote on the Compensation Report 2021



**MOTION:** The Board proposes that the Compensation Report for the financial year 2021 be ratified in a non-binding advisory vote.

ARYZTA's Compensation Report for FY21 has been prepared in accordance with Swiss laws and regulations, including the Ordinance against Excessive Compensation at Listed Stock Companies and the Directive on Information relating to Corporate Governance, issued by SIX Swiss Exchange. The report also comprises information required under the Swiss Code of Obligations. As in prior years, and in keeping with recommendations in the Swiss Code of Best Practice for Corporate Governance of economiesuisse, the Board has decided to submit the Compensation Report 2021 to a separate non-binding advisory vote of the shareholders.

The Compensation Report describes the compensation system as well as the governance framework related to the compensation of the Board and the Executive Management. The report also informs shareholders about the compensation awarded to the members of the Board and the Executive Management for FY21.

**Please refer to the Compensation Report 2021 – Appendix I**

# Agenda Item 5.1

## Compensation of the Board until the next AGM



**MOTION:** The Board proposes the approval of a maximum aggregate amount of remuneration of the Board for the period from the AGM 2021 to the AGM 2022 of CHF 1,300,000 (one million three hundred thousand Swiss francs).

The compensation of the members of the Board shall attract and retain highly qualified individuals for the ARYZTA Board. The amount of compensation reflects the responsibilities of the roles in the Board and its Committees as well as the time required. The compensation structure is intended to support the orientation of the Board towards the long-term development and success of the company.

The total compensation of the Board consists of an annual base fee and an additional fee for individual assignments to Committees of the Board. Annual base fee and additional fees for individual assignments to existing Committees (Audit Committee, Remuneration Committee, and Governance and Nomination Committee) have remained the same compared to the previous AGM-to-AGM-cycle.

The maximum aggregate amount of compensation proposed is CHF 1,300,000 for seven Board members. Overall, this leads to a maximum aggregate amount of compensation to be approved in line with the amount approved at the last AGM 2020.

(in CHF)	Annual base fee for Board membership	Annual committee fees (AGM to AGM)					
		Audit Committee		Remuneration Committee		Governance and Nomination Committee	
		Chair	Member	Chair	Member	Chair	Member
<b>Board Chairman</b>	323,000	Not entitled					
<b>Lead Independent Director</b>	123,200	25,000	8,000	16,000	8,000	16,000	8,000
<b>Other Board members</b>	88,000						

## Agenda Item 5.2

### Compensation of Executive Management for FY2023 (I/II)



**MOTION:** The Board proposes the approval of a maximum aggregate amount of remuneration of the members of the Executive Management for FY2023 (ending 31 July 2023) of CHF 10,000,000 (ten million Swiss francs).

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support the Group's strategic plans and to provide a balance between motivating and challenging the members of the Executive Management to deliver ARYZTA's near-term business priorities together with achieving sustainable, long-term success. Furthermore, ARYZTA's compensation framework aims to be aligned with shareholders' interest, driving the creation of shareholder value, as well as fostering entrepreneurial thinking.

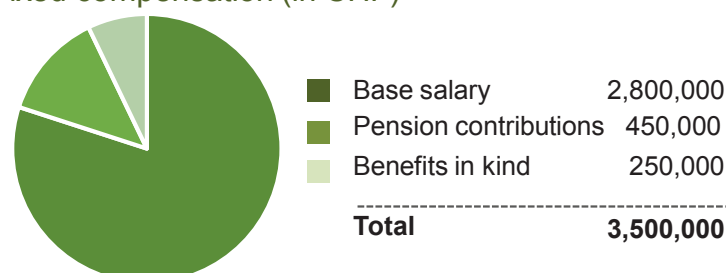
The compensation package for the Executive Management is comprised of three elements: a fixed compensation in the form of an annual base salary and other fixed compensation (pension contributions and benefits in kind); a variable short-term incentive plan ('STIP') to reward eligible participants for delivering strong short-term performance, whilst limiting the company's exposure to downside risk; and a variable long-term incentive plan ('LTIP') to provide performance-driven equity-based future rewards to the participants for the accomplishment of the Group's long-term financial and strategic goals.

# Agenda Item 5.2

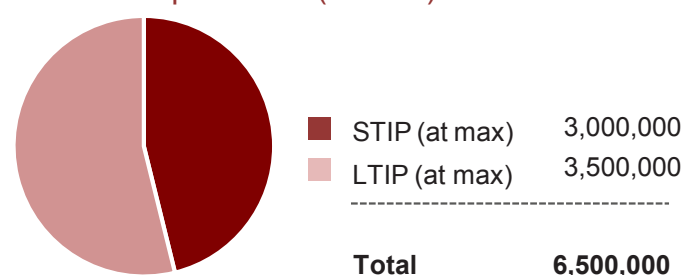
## Compensation of Executive Management for FY2023 (II/II)



Fixed compensation (in CHF)



Variable compensation (in CHF)



The maximum aggregate amount of remuneration of the members of the Executive Management for FY2023 comprises base salary (including pension contributions and benefits in kind), the maximum potential STIP payouts (i.e. at 150% target achievement) and the fair value at grant of LTIP (assuming Maximum target achievement). The actual final payouts will vary based on the achievements of financial objectives.

The maximum aggregate amount of compensation proposed is CHF 10,000,000 for an envisaged four members of the Executive Management. This maximum aggregate amount is CHF 8,000,000 less than the amount approved at the last AGM 2020.

CHF	Maximum amount FY2023 (for approval at AGM 2021)	Maximum amount FY2022 (approved at AGM 2020)
<b>Base salaries</b>	2,800,000	4,716,000
<b>Pension contributions</b>	450,000	756,000
<b>Benefits in kind</b>	250,000	504,000
<b>STIP (at maximum bonus opportunity of 150%)</b>	3,000,000	7,056,000
<b>LTIP (valued at grant, assuming Max achievement)</b>	3,500,000	4,968,000
<b>Total compensation (for approval at AGM 2021)</b>	<b>10,000,000</b>	<b>18,000,000</b>
<b>(Expected) headcount</b>	4	9

## **Appendix I – 2021 Compensation Report**

**(to be inserted)**

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# Annual Report and Accounts 2021 Compensation Report

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## Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors and the Remuneration Committee, I am pleased to introduce ARYZTA's Compensation Report for the financial period 2021 ('FY 2021'), which was marked by continued disruption due to the COVID-19 pandemic.

Notably during FY 2021 the Group also saw the transition of leadership post last September's EGM and the subsequent exit of a number of members of the Executive Management. Despite this, and the volatility associated with the ongoing pandemic, the Remuneration Committee ('RemCo') continued to assess and review the overall compensation framework. The intent of our compensation strategy is to support the Company's turnaround ambitions and to align remuneration with the needs and expectations of shareholders.

At the upcoming AGM, we will ask you to approve, as last year, prospectively in a binding vote the maximum compensation of the Board for the period from this AGM until the next 2022 AGM, and the maximum aggregate compensation for the newly constituted Executive Management for FY 2023. Furthermore, you will have the opportunity to register your opinion on this Compensation Report in a consultative vote.

Looking ahead, we will continue refining our compensation framework in order to ensure that it continues to fulfil its purpose in the evolving context in which ARYZTA operates.

On behalf of ARYZTA and the RemCo, I would like to thank you for your support and valuable feedback.

Chair of the Remuneration Committee



Hélène Weber-Dubi,

4 October 2021



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## Compensation Report (continued)

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### Introduction to Compensation

ARYZTA's Compensation Report for FY 2021 has been prepared in accordance with Swiss laws and regulations, including the Ordinance against Excessive Compensation of Listed Stock Companies and the Directive on Information relating to Corporate Governance, issued by SIX Swiss Exchange. The report also takes into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

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### Compensation Governance

The compensation governance at ARYZTA is mainly comprised of three key bodies: The RemCo which advises the Board in compensation-related matters; the Board which ultimately decides on compensation-related matters; and the shareholders of ARYZTA at the AGM who approve the maximum aggregate amount of remuneration of the Board for the period until the next AGM and the Executive Management for the subsequent financial year. The Organizational Regulations, the Terms of Reference of the RemCo and the Articles of Association describe and define the roles and responsibilities of these three bodies. The Articles of Association contain the following relevant provisions on compensation:

- Compensation principles for the compensation of the Board and the Executive Management (Art. 21 and 22)
- Approval of compensation by the AGM (Art. 23a-d)
- Supplementary amounts available for members joining the Executive Management or being promoted within the Executive Management to CEO after the relevant approval of compensation by the AGM (Art. 23e-g)
- Retirement benefits and pensions (Art. 24)
- Duration and Termination of Employment Contracts (Art. 26)

The Articles of Association can be found on our website:  
<https://www.aryzta.com/wp-content/uploads/2019/11/AoA-English.pdf>

## Compensation Report (continued)

The general division of duties, responsibilities, and powers between the three key bodies of compensation governance (RemCo, Board and AGM) is shown in the table below.

	CEO	RemCo	Board	AGM
Compensation strategy and guidelines		P	A	
Compensation principles (Articles of Association)		P	A (subject to AGM approval)	A (binding vote, in case of changes)
Key terms of compensation plans for Board and Executive Management		P	A	
Total compensation for the Board		P	A (subject to AGM approval)	A (binding vote)
Total compensation for the Executive Management		P	A (subject to AGM approval)	A (binding vote)
Individual total compensation for the CEO		P	A	
Individual total compensation for other members of the Executive Management	P	R	A	
Employment and termination agreements for the CEO		P	A	
Employment and termination agreements for other members of the Executive Management	P	R	A	
Compensation Report		P	A	A (consultative vote)

A: Approve, P: Propose, R: Review

### Role of the Shareholders regarding the AGM

The AGM approves the maximum aggregate amount of compensation of the Board for the period from AGM until the next AGM and the maximum aggregate amount of compensation for the Executive Management for the subsequent financial period (Art. 23a of the Articles of Association). Shareholders will be asked at the 2021 AGM, to be held on 17 November 2021, to approve the maximum aggregate amount of compensation of:

- The Board for the period from AGM until the next AGM (i.e. the period until the 2022 AGM); and
- The Executive Management for the following financial period (i.e. the financial period ending 31 July 2023).

In addition, as in prior periods, the Board will submit this Compensation Report to a separate advisory vote for the shareholders at the 2021 AGM in line with the Swiss Code of Best Practice for Corporate Governance.

At the 2020 AGM, the Board submitted three separate compensation-related resolutions, which were all approved by the shareholders:

- The maximum aggregate amount of compensation for the members of the Board for the period from the 2020 AGM until the 2021 AGM (binding vote): CHF 1,300,000.
- The maximum aggregate amount of compensation for the Executive Management for the FY 2022 (binding vote): CHF 18,000,000.
- The compensation report for FY 2020.

## Compensation Report (continued)

In addition and without further approval, ARYZTA is authorised to use supplementary amounts of 40% of the approved maximum aggregate amount (in full and not pro rata) of the compensation for the Executive Management for the relevant financial periods for members joining the Executive Management and/or being promoted from a member of the Executive Management to CEO after the AGM has approved the relevant maximum aggregate amount (Art. 23e of the Articles of Association).

### Role of the Remuneration Committee

The RemCo has the duties of supervision and governance of ARYZTA's compensation framework and philosophy as well as the purpose to assist the Board in fulfilling its responsibilities regarding the compensation of the members of the Board and the Executive Management of ARYZTA.

The RemCo consists of three to four independent non-executive members of the Board who are elected annually and individually by the AGM pursuant to Swiss law for a one-year period until the next AGM. The RemCo Chair is appointed by the Board (Art. 20a of the Articles of Association).

Post the AGM 2020, the RemCo consisted of three members: Hélène Weber-Dubi, Heiner Kamps and Gordon Hardie, with Hélène Weber-Dubi approved by the Board as Chair of RemCo. Please refer to the Corporate Governance Report section for further details on RemCo composition, duties, and election.

As in prior periods, in FY 2021 the RemCo acted within the limits of the relevant shareholder approvals, being responsible for (Art. 20b of the Articles of Association):

- Considering and determining all elements of the compensation of the members of the Board and the Executive Management.
- Approving the compensation of other members of the Executive Management, upon the recommendation of the CEO.
- Reviewing and recommending to the Board on an annual basis a proposal regarding the total compensation amount of the Board and the Executive Management for the following period.
- Preparing and recommending to the Board the Compensation Report for approval.

The RemCo reviews the level and structure of the compensation for the Executive Management on an annual basis to ensure that executives are remunerated in line with the level of their authority and responsibility within the Group and so as to ensure ARYZTA's capacity to recruit and retain a high calibre of professional managers (for details with regards to the conducted compensation benchmarking in FY 2021, see page 68).

After each RemCo meeting, the RemCo Chair reports to the Board at the following Board meeting, ensuring that the Board members are kept informed in a timely and appropriate manner of all material matters within the RemCo's area of responsibility. In addition, all RemCo papers (e.g. agenda, minutes, presentations, etc.) are available to all members of the Board. When the RemCo considers it appropriate to do so, it may directly ask members of the Executive Management or members of the Human Resources

## Compensation Report (continued)

department to attend meetings as a guest. The RemCo regularly holds private sessions (i.e. without the presence of members of the Executive Management, members of the Human Resource department or third parties). Executives and the Chair of the Board do not participate during the sections of the meetings where their own performance and/or compensation are discussed. The RemCo is authorised to obtain appropriate external advice and to invite those persons to attend at meetings of the RemCo.

The RemCo Chair convenes meetings of the RemCo as often as the business affairs of ARYZTA requires. During FY 2021, the RemCo held nine meetings with an average duration of two hours each. All members of the Committee had full meeting attendance during the reporting period.

The agenda items covered by the RemCo during the nine meetings of FY 2021 are described in the table below.

Agenda item		Sep 2020	Oct 2020 <sup>1</sup>	Nov 2020	Jan 2021	Mar 2021	May 2021	June 2021
General Framework	Committee Terms of Reference				•			
	Annual Work Plan					•		
Executive Management compensation	Management Compensation Packages				•	•	•	
	Maximum aggregate compensation amount FY 2022		•					
	STIP							
	– Review of STIP FY 2022 design							•
	– Performance achievement FY 2020	•	•					
	– Target setting for STIP FY 2022							•
	LTIP							
	– Design LTIP grant FY 2021		•					
	– Target setting LTIP FY 2021		•					
	– Review of LTIP Regulations		•					
Board compensation	Benchmarking					•	•	•
	Maximum aggregate compensation amount from 2020 AGM until the 2021 AGM	•						
Reporting & Communication	Compensation for Lead Independent Director			•				
	– Compensation Report FY 2020	•	•					
	– Disclosure level FY 2022							•

1. In October there were two meetings of the RemCo

### Compensation Principles

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support of the Group's strategic plans and to provide a balance between motivating and challenging the members of the Executive Management to deliver ARYZTA's near-term business priorities together with achieving sustainable, long-term success (Art. 21a of the Articles of Association). Furthermore, ARYZTA's compensation framework aims to be aligned with shareholders' interest and driving the creation of shareholder value. The RemCo gives careful and detailed consideration to the Board and Executive Management compensation. As one reference point, the RemCo regards market data on compensation to assess its competitiveness in the market environment.

## Compensation Report (continued)

### Compensation objectives and principles

- Retain and incentivise top talent to support delivery of the strategic plan.
- Provide balance between a motivating and a challenging environment to achieve near-term business goals and drive long-term success.
- Align compensation outcomes with shareholder interests in the context of rewarding management for creating shareholder value.
- Provide equal opportunities in recruitment, selection, promotion, employee development, succession planning, training, and compensation.

### Compensation Framework for the Board of Directors

#### Compensation Approach for the Board of Directors

The total compensation of the Board consists of an annual base fee and an additional fee for individual assignments to Committees of the Board (Art. 21c of the Articles of Association).

In order to assure the independence of the members of the Board in executing their supervisory duties, the total compensation of the Board is fixed and does not include any performance-related, variable compensation component.

For FY 2021, non-executive Board members were paid a fixed annual base fee, reflecting the time commitment and responsibilities of the role, and additional compensation for non-executive directors for service on a Board Committees was paid (see table below).

The compensation structure and fee levels for the members of the Board remained unchanged compared to the previous term, however an additional fee for the role of Lead Independent Director was introduced.

Annual base fee for Board membership for non-executive directors, in CHF		Annual committee fees (AGM to AGM)					
		Audit Committee		Governance and Nomination Committee		Remuneration Committee	
		Chair	Member	Chair	Member	Chair	Member
Chair	323,000	Not entitled					
Lead Independent Director	123,000						
Other Board members	88,000	25,000	8,000	16,000	8,000	16,000	8,000

Since the 2020 AGM the individual sum of the fixed annual base fee and, where applicable, the fixed annual committee fee per member are compensated 60% in cash and 40% in the form of Restricted Shares or Restricted Share Units ('RSUs'), entitling the recipient to receive ARYZTA shares upon expiration of the three-year holding period for the Restricted Shares, or upon a three-year vesting period of the RSUs. This equity component further strengthens the long-term focus of the Board in performing its duties as well as the alignment of the Board's interests with those of ARYZTA's shareholders.

The compensation of the Board is subject to regular social security contributions and is not pensionable. On the cash component, ARYZTA pays the employer contribution of

## Compensation Report (continued)

social security, on the share component, ARYZTA pays both contributions. No additional compensation components such as pension entitlements, lump-sum expenses or attendance fees are awarded to the members of the Board.

### Compensation Awarded to the Board of Directors (audited)

The following table reflects the total compensation of the Board for FY 2021 including information of the prior financial period. The total compensation of the Board for FY 2021 amounted to CHF 1,188,000 which is within the maximum amount approved at the AGM 2020 of CHF 1,300,000.

in CHF'000	Board	Independent Director	Audit Committee	Governance and Nomination Committee	RemCo	Settled in cash	Settled in shares <sup>1</sup>	Total compensation FY 2021	Total compensation FY 2020
<b>Current Board members</b>									
Urs Jordi <sup>2</sup>	Chair					154	129	283	-
Luisa Delgado <sup>3</sup>	•	•	•	Chair		71	59	130	61
Gordon Hardie <sup>4</sup>	•		•		•	23	42	65	-
Heiner Kamps	•				•	52	38	90	-
Jörg Riboni <sup>4</sup>	•		Chair			26	45	71	-
Hélène Weber-Dubi <sup>4</sup>	•		•	•	Chair	27	48	75	-
Alejandro Legarda Zaragüeta <sup>5</sup>	•			•		62	38	100	61
<b>Former Board members</b>									
Gary McGann <sup>6</sup>						41	-	41	299
Mike Andres <sup>7</sup>						43	-	43	102
Greg Flack <sup>7</sup>						43	-	43	102
Dan Flinter <sup>6</sup>						14	-	14	104
Annette Flynn <sup>6</sup>						14	-	14	104
Jim Leighton <sup>7</sup>						41	-	41	102
Tim Lodge <sup>7</sup>						44	-	44	88
Rolf Watter <sup>6</sup>						14	-	14	104
Andrew Morgan <sup>8</sup>						-	-	-	28
Armin Bieri <sup>9</sup>						16	-	16	-
<b>Total</b>						<b>685</b>	<b>399</b>	<b>1,084</b>	<b>1,155</b>
<b>Social security payments</b>								104	50
<b>Total including social security</b>								<b>1,188</b>	<b>1,205</b>

1 Equity is awarded once a year at 40% of the total annual compensation with the number of shares based on the average closing price of the ARYZTA shares on the SIX over the five trading days immediately preceding the award date. The balance of the compensation for the financial year is settled in cash.

2 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

3 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Lead Independent Director in November 2020.

4 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

5 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

6 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

7 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

8 A. Morgan retired without seeking re-election on 14 November 2019 (2019 AGM).

9 A. Bieri stepped down from the Board 6 November 2020.

## Compensation Report (continued)

The following table shows the shareholdings of the Board as of 31 July 2021 including information of the prior financial period. This table includes registered shares purchased privately as well as fully vested shares allocated in connection with compensation.

Furthermore, unvested RSUs and restricted shares are included. In total, the members of the Board held 16,681,707 shares or 1.70% of the share capital (FY 2020: 846,704 shares or 0.09% of the share capital).

Beneficial interests at 31 July 2021 and 1 August 2020 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of ordinary shares	No. of restricted shares (issued FY2020)	No. of restricted shares (issued FY2021)	Total	Total
	2021	2021	2021	2021	2020
<b>Directors</b>					
<b>Current directors</b>					
Urs Jordi <sup>1</sup>	107,000	–	159,526	<b>266,526</b>	–
Luisa Delgado <sup>2</sup>	–	38,281	72,700	<b>110,981</b>	38,281
Gordon Hardie <sup>3</sup>	–	–	51,364	<b>51,364</b>	–
Heiner Kamps	15,692,707	–	47,413	<b>15,740,120</b>	–
Jörg Riboni <sup>3</sup>	750,000	–	55,809	<b>805,809</b>	–
Hélène Weber-Dubi <sup>3</sup>	–	–	59,267	<b>59,267</b>	–
Alejandro Legarda Zaragüeta <sup>4</sup>	132,000	38,281	47,413	<b>217,694</b>	170,281
<b>Former directors</b>					
Gary McGann <sup>5</sup>	–	–	–	–	406,929
Mike Andres <sup>6</sup>	–	–	–	–	84,274
Greg Flack <sup>6</sup>	–	–	–	–	84,274
Dan Flinter <sup>5</sup>	–	–	–	–	98,398
Annette Flynn <sup>5</sup>	–	–	–	–	93,680
Jim Leighton <sup>6, 9</sup>	–	–	–	–	84,274
Tim Lodge <sup>6</sup>	–	–	–	–	72,885
Andrew Morgan <sup>7</sup>	–	–	–	–	34,604
Rolf Watter <sup>5</sup>	–	–	–	–	613,540
Armin Bieri <sup>8</sup>	–	–	–	–	–
<b>Total</b>	<b>16,681,707</b>	<b>76,562</b>	<b>493,492</b>	<b>17,251,761</b>	<b>1,781,420</b>

1 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

2 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Lead Independent Director in November 2020.

3 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

4 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

5 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

6 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

7 A. Morgan retired from the Board without seeking re-election effective 14 November 2019 (2019 AGM).

8 A. Bieri stepped down from the Board 6 November 2020.

9 The Beneficial holding of J. Leighton includes 40,011 of Restricted Stock Units.

## Compensation Report (continued)

### Compensation Framework for the Executive Management

#### General compensation approach for the Executive Management

The compensation of the Executive Management consists of fixed and variable components. The fixed compensation consists of an annual base salary, additional fixed compensation in the form of pension and other benefits. The variable compensation includes short-term and a long-term incentive plans. These variable elements are dependent on the achievement of performance which include the financial performance of the Group and regional segments, performance relative to the market, and individual performance (Art. 21d and 22a of the Articles of Association). The overview of the compensation elements of the Executive Management are summarized in the following table:

	Base salary	Pension and other benefits	Short-term incentive plan (STIP)	Long-term incentive plan (LTIP)
Basis	Fixed	Fixed	Variable	Variable
Purpose	Attraction, retention, reward for scope and complexity of the function as well as level of responsibility	Participation in pension plans, insurance and health care plans in line with local market practice	Motivation, reward for achieving annual business objectives	Retention, alignment with shareholders, reward for delivering long-term performance
Performance period	-	-	One year	Three years
Performance measures	-	-	Group and (if relevant) regional measures, qualitative individual measures (except CEO and CFO)	Three equally weighted financial measures (Underlying EBITDA <sup>1</sup> , ROIC, relativeTSR)
Payout range	-	-	0 to 150% of individual target award	0% to 200% of number of granted PSUs
Payment	Cash	Contributions to pension and insurance plans, other in-kind benefits	Cash	Shares

<sup>1</sup> As disclosed in financial statements.

#### Annual base salary

The annual base salary is the main fixed compensation component paid to the members of the Executive Management. Typically, it is paid in cash in twelve equal monthly instalments unless local laws require otherwise. The annual base salary is contractually agreed in local currency. The level of base salary is determined considering the scope and complexity of the function, level of responsibility, and other relevant factors deemed appropriate. Furthermore, the compensation for the role in the location where ARYZTA competes for talent is considered. Fixed base salaries of the Executive Management members are reviewed every year based on the above mentioned factors and adjustments are made according to market developments.



## Compensation Report (continued)

### Pension and other benefits

ARYZTA may establish one or more independent pension fund for occupational pension benefits or may join such funds. Contributions to such pension funds on the part of the employer, but not contributions which are paid out by such pension funds, are deemed part of the compensation. Retirement benefits accumulated or paid directly by the employer based on country-specific regulations on occupational pension benefits are treated the same way as contributions to and benefits by pension funds (Art. 24a of the Articles of Association). Members of the Executive Management participate in the pension plans, which consist primarily of retirement, insurance and health care plans designed to provide an adequate level of protection for employees and their dependants in the event of retirement, sickness, disability or death. The plans vary according to legal conditions, but at least meet the legal requirements of the countries concerned. The members of the Executive Management are also granted certain benefits and benefits in-kind in accordance with competitive market practice, e.g. a car allowance.

### Short-term incentive plan (STIP)

The short-term incentive plan ('STIP') is a variable compensation element designed to reward eligible participants for delivering strong short-term performance and contribution to ARYZTA's annual business objectives, whilst limiting the Group's exposure to downside risk in the case of financial underperformance, over a time horizon of one year. The STIP for the Executive Management drives alignment across the Group by a shared philosophy with common core measures.

In FY 2021 the STIP consisted of performance measures on Group and Regional level, as well as qualitative individual performance measures. The composition and weighting of the different levels of performance measures (as shown in the table below) are determined by taking into consideration the scope of influence of each role (e.g. global, regional). Regional targets are assigned to members with regional responsibilities, while other members' performance, including the performance of the CEO and CFO, are assessed at Group level only.

	CEO & CFO	Regional leaders	Functional leads
<b>Group measures</b>	<b>100%</b>	<b>10%</b>	<b>80%</b>
Group Underlying EBITDA	50%	10%	40%
Group Net Debt : Underlying EBITDA Ratio	50%	–	40%
<b>Regional measures</b>	<b>–</b>	<b>70%</b>	<b>–</b>
Regional Underlying EBITDA	–	35%	–
Regional Operating Free Cash Flow	–	35%	–
<b>Qualitative individual targets</b>	<b>–</b>	<b>20%</b>	<b>20%</b>

The Board or the RemCo determines performance metrics and target levels, and their achievement (Art. 22b of the Articles of Association). At the beginning of the financial period, STIP targets are set for each financial performance measure in a calibration process in accordance with the overall business plan and a robust budget of the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other elements, the previous year's performance level. A rigorous approach is conducted in order to define the individual objectives for the respective members of the Executive Management. The individual objectives are specific for each member, taking into account their scope of influence and responsibilities as well as

## Compensation Report (continued)

focusing on value-addition to the business. The STIP targets represent commercially sensitive information and are therefore not disclosed.

The individual target level for the STIP is expressed as a percentage of the annual base salary. Depending on achieved performance, this element of compensation may amount up to a pre-determined multiplier of target level.

For the STIP FY 2021, the individual STIP targets amount to 100% of the base salary for all members of the Executive Management. The STIP payout varies between 0% and a maximum of 150% of the individual target amount (i.e. of base salary).

For the financial performance measures, overachievement is driven by their respective performance. For the qualitative individual performance measure, overachievement is index linked to the aggregate performance of the financial measures.

For each performance measure, a minimum threshold performance, below which there is no payout, as well as a maximum performance, at which payout is capped at 150% of target (i.e. of base salary), applies. In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on country-specific forfeiture rules and subject to applicable law.

	Actual performance FY 2021	STIP Achievement factor in %
Group Underlying EBITDA	250.0	150%
Group Net Debt: Underlying EBITDA Ratio	0.58x	150%

During FY 2021, payments under the STIP were made to incumbent members of Executive Management according to the level of achievement of the defined short-term targets (Group and/or Regional EBITDA & Operating Free Cash Flow and Qualitative Individual Targets). Performance levels were achieved at different levels and resulted in an overall pay out range of 70% - 150% for the Executive Management. Departing Executive Management members' STIP entitlements were considered as part of their exit agreements.

### Long-term incentive plan (LTIP)

ARYZTA's long-term incentive plan ('LTIP') has historically been designed to reward eligible participants for delivering long-term performance.

The purpose of the equity-based LTIP is to provide the participants with performance-driven future rewards for the accomplishment of the Group's long-term financial and strategic goals. The LTIP is intended to retain and motivate and to promote behaviour towards enhancing the value of ARYZTA for the benefit of its shareholders.

For each financial period until the FY 2020, an LTIP was granted in the form of Performance Share Units ('PSUs'), which represent an unsecured contingent right to receive ARYZTA shares at the end of the three-year performance period, subject to the achievement of certain pre-defined performance targets and subject to continuous employment.

## Compensation Report (continued)

The number of granted PSUs depends on the individual LTIP grant, which were determined by the Board each year and the fair value of one PSU at the grant date. The individual target grant levels under the LTIP are expressed as a percentage of the annual base salary (Art. 22c of the Articles of Association) and cannot exceed the equivalent of 125% of participants' base salaries in any year.

In light of the challenges facing the business, the depth of the turnaround required and the significant level of change at a leadership level, the RemCo was not in a position to grant a LTIP in FY 2021. Nonetheless, the RemCo recognise the value of a LTIP as a tool in any revised remuneration framework and will seek to revisit this as part of a suite of incentives designed to align with improved Company performance and shareholder interests. More details can be found in the Compensation Booklet prepared for the AGM.

The vesting of granted PSUs depends on the achievement of the following equally weighted performance measures and is subject to continued service:

LTIP performance measure	Three-year average Underlying EBITDA <sup>1</sup>	Three-year average ROIC	Three-year relative TSR <sup>2</sup>
<b>Weighting</b>	1/3	1/3	1/3
<b>Performance period</b>	3-year performance period	3-year performance period	3-year award cycle
<b>Vesting range</b>	0.00 – 2.00 (of number of vested PSUs)		

<sup>1</sup> As disclosed in financial statements.

<sup>2</sup> Total shareholder return relative to iSTOXX® Europe Total Market Food Producers Capped 30-15 Index in percentage points.

The Underlying EBITDA (as disclosed in the financial statements) provides a focus on profitability. It is weighted at one third and is calculated as the three-year average in EUR. The Return on Invested Capital provides a focus on capital efficiency. It is at weighted one third and is calculated as the three-year average in %. The relative TSR measure adds a stock market perspective to ARYZTA's LTIP and is designed to reward management for outperformance as well as to create alignment with shareholder experience. It is weighted at one third and calculated as the percentage point difference over the three-year performance period between ARYZTA's TSR and the TSR of the iSTOXX® Europe Total Market Food Producers Capped 30-15 index. The TSR is the total shareholders' return, considering the variations of the share price and dividends distributed over the performance period, assuming the reinvestment of any dividends paid during the performance period into ARYZTA shares. The iSTOXX® Europe Total Market Food Producers Capped 30-15 Index includes 40 stocks (as of October 8, 2020) and is a capped version of the STOXX Europe Total Market Food Producers Index. STOXX is the service provider and administrator of the index, therefore responsible for quality standards and legal compliance of the index as well as maintenance in terms of rebalancing and handling of corporate events of index constituents. The index is rebalanced on a quarterly basis, whereas the largest component is capped at 30% and the second largest at 15%. The threshold for a payout of the rTSR measure is at – 20 percentage points, while the cap for a 2.00 vesting multiple is at + 20 percentage points. The payout curve provides for stretching and, at the same time, sets statistically reasonable performance corridors, and therewith supports symmetrical performance and payout situations below and above the target. In doing so, potential excessive risk-taking around the kink of payout curves is avoided.

## Compensation Report (continued)

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22e of the Articles of Association).

In the case of death or disability, the number of unvested PSUs will be adjusted pro-rata and will vest immediately with an overall vesting multiple of 1.00. In the case of retirement or termination of employment by ARYZTA without cause, the number of unvested PSUs will be adjusted pro-rata and will vest at the ordinary vesting date according to the effective overall vesting multiple. Furthermore, in case of engagement in a competitive activity without prior consent of the Board, all unvested PSUs will lapse without any compensation. In all other cases (e.g. termination for cause), then effective on the date notice of termination is provided by either party, all unvested PSUs will lapse without any compensation.

In the event of change of control, the number of unvested PSUs will also be adjusted pro-rata.

Additionally, in the event of a serious breach of ARYZTA's Articles of Association, Organizational Regulations, any applicable policies, procedures or guidelines, the Board may recoup all or part of the vested shares or forfeit all or part of any unvested PSUs.

No LTIP vested during FY 2021 since the achievement of the associated measures (Operating Free Cash Flow and Return on Invested Capital) did not meet the minimum targets.

LTIP grant FY 2020	Minimum threshold (0.0 vesting multiple)	Target (1.0 vesting multiple)	Maximum (2.0 vesting multiple)
<b>Three-year average Underlying EBITDA<sup>1</sup></b>	78.5% of target	100% target as set by the Board	121.5% of target
<b>Three-year average ROIC</b>	76.3% of target	100% target as set by the Board	136.8% of target
<b>Three-year relative TSR</b>	-20 p.p. of index	0 p.p.	+20 p.p. of index

<sup>1</sup> As disclosed in financial statements.

### Peer group and benchmarking

The RemCo reviewed the compensation of the Executive Management and Senior Management in FY 2021 with the support of the global organizational consulting firm Korn Ferry Hay Group as part of a peer compensation benchmarking analysis. The benchmarking serves as an additional external reference point to ARYZTA in order to remain competitive in its compensation arrangements.

The selection criteria for the peer group included comparability to ARYZTA with regards to business model, size (in terms of headcount, revenue, and market capitalization), respective roles and responsibilities, and relevant geographic presence. The composition of the peer group for benchmarking is reviewed on a periodical basis, every two to three years.

## Compensation Report (continued)

### Compensation awarded to the Executive Management (audited)

The following table summarises the total compensation for the current and former members of the Executive Management during the FY 2020 and FY 2021. The total compensation for the Executive Management amounted to CHF 14,244,000 which is within the maximum amount approved at the AGM 2019 of CHF 18,000,000.

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22e of the Articles of Association).

in CHF'000	Total Executive Management incl. highest paid FY 2021 <sup>1,2</sup>	Highest paid Executive Management member, Kevin Toland <sup>2</sup> FY 2021	Total Executive Management incl. highest paid FY 2020 <sup>1,2</sup>	Highest paid Executive Management member, Kevin Toland <sup>2</sup> FY 2020
Basic salaries <sup>1</sup>	4,418	738	4,118	847
Benefits in kind	379	34	438	43
Pension contributions	672	148	687	183
STIP (payout for respective FY) <sup>1</sup>	2,937	-	340	-
Exceptional retention payments <sup>3</sup>	391	-	-	-
Ex-gratia payments	4,062	1,767	-	-
North America disposal related bonus <sup>4</sup>	1,385	-	-	-
Renew Special Bonus Plan (RSBP)	-	-	336	-
Long-term incentives (LTIP) <sup>5, 6</sup>	-	-	4,995	1,062
<b>Total compensation awarded to members of ARYZTA Executive Management</b>	<b>14,244</b>	<b>2,687</b>	<b>10,914</b>	<b>2,135</b>

1 Urs Jordi receives a Base Salary in the amount of CHF468,000 for his role as Interim CEO. Additionally he received a discretionary bonus payment in the amount of CHF702,000.

2 On 19 November 2020, Kevin Toland ceased his role as CEO and the Board appointed Urs Jordi as interim CEO.

3 Given the significant changes at senior management and Board level during the financial year and the particular challenges facing ARYZTA during FY21 including the approach from Elliott Advisors UK, and the disposal of ARYZTA North America and Brazil, retention payments were made on an exceptional once off basis to ensure continuity and stability within the business. The Board does not envisage making similar payments again for the next financial year.

4 On 4 May 2021, ARYZTA completed the disposal of its ARYZTA North American business. Tyson Yu remained as part of the disposed business and ceased his role with ARYZTA AG. As recognition of his pivotal role in the transaction, Tyson Yu was awarded a bonus.

5 The number of PSUs is calculated by dividing the LTIP award amount by the allocation value per PSU. The allocation value at time of grant was CHF 0.98.

6 Represents the target value of the FY18 and FY19 LTIP awarded. The value may change depending on the achievement of operating performance measures at vesting. All awards were unvested as of 31 July 2021.

## Compensation Report (continued)

The total remuneration for Executive management during FY 2021 is allocated between current and former Executive Management as follows:

in CHF'000	Current Executive Management 2021	Former Executive Management 2021	Total Executive Management 2021
Basic salaries	1,814	2,604	4,418
Benefits in kind	123	256	379
Pension contributions	236	436	672
STIP (payout for respective FY)	2,745	192	2,937
Exceptional retention payments	391	-	391
Ex-gratia payments	-	4,062	4,062
North America disposal related bonus	-	1,385	1,385
<b>Total compensation awarded to members of ARYZTA Executive Management</b>	<b>5,309</b>	<b>8,935</b>	<b>14,244</b>

The employment contracts of the Executive Management are in compliance with the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies and other applicable laws and regulations (Art. 26a and 26b of the Articles of Association).

### Shareholding Guidelines

As of FY 2020, Shareholding Guidelines for members of the Executive Management had been introduced to further strengthen the long-term focus and to additionally increase the alignment of the Executive Management's interests with those of ARYZTA's shareholders. The Shareholding Guidelines apply to the Executive Management starting from FY 2020. Each member of Executive Management is expected to build up an ownership of shares of ARYZTA worth the equivalent of 150% of their annual base salary or 300% in the case of the CEO.

As we refine our Remuneration Strategy and LTIP scheme we will revisit these Shareholding Guidelines ensuring the concept of Executive Management being aligned with shareholder interests and retaining a long-term focus.

### Shareholdings of the Executive Management

The following table shows the shareholdings and interests in equity of the Executive Management as of 31 July 2021 and 1 August 2020. The number of shares held corresponds to the amount of directly or beneficially held ordinary registered shares of ARYZTA. The number of interests in equity held corresponds to the amount of PSUs and options granted through former LTIP awards. Both PSUs and options are disclosed at target. The vested number of PSUs and options will depend on performance achievement levels at vesting. In total, the members of the Executive Management held 283,000 shares or 0.03% of the share capital (FY 2020: 874,514 shares or 0.09% of the share capital).

## Compensation Report (continued)

	No. of shares Closing position FY 2021	No. of RSUs Closing position FY 2021	No. of PSUs Closing position FY 2021 <sup>1,2,3</sup>	No. of options Closing position FY 2021 <sup>3</sup>	No. of shares Closing position FY 2020	No. of PSUs Closing position FY 2020 <sup>1,2,3</sup>	No. of options Closing position FY 2020 <sup>3</sup>
Urs Jordi	107,000	159,526	-	-	-	-	-
Jonathan Solesbury	-	-	-	-	-	-	-
Rhona Shakespeare	-	-	291,916	-	-	466,051	150,670
Claudio Gekker	-	-	290,684	-	-	617,232	515,951
Chris Pluss	176,000	-	252,804	-	76,863	494,556	381,973
<b>Total current executive management</b>	<b>283,000</b>	<b>159,526</b>	<b>835,404</b>	-	76,863	1,577,839	1,048,593
Kevin Toland <sup>4</sup>	-	-	637,043	-	572,240	2,418,721	1,936,777
John Heffernan <sup>4</sup>	-	-	184,894	-	14,014	639,670	397,324
Dave Johnson <sup>4</sup>	-	-	292,384	-	-	1,620,252	1,561,245
Anthony Murphy <sup>4</sup>	-	-	164,803	-	-	715,381	598,122
Robert O'Boyle	-	-	-	-	111,397	-	-
Frederic Pflanz	-	-	-	-	100,000	1,263,839	1,056,683
Gregory Sklikas	-	-	323,203	-	-	1,152,505	804,712
Tyson Yu <sup>4</sup>	-	-	147,276	-	-	570,842	452,867
<b>Total former executive management</b>	-	-	<b>1,749,603</b>	-	797,651	8,381,210	6,807,731
<b>Total</b>	<b>283,000</b>	<b>159,526</b>	<b>2,585,007</b>	-	874,514	9,959,048	7,856,324

1 PSU's are presented at target award. The number of PSU's vested may change depending on the achievement of operating performance measures at vesting.

2 The awards granted during financial period 2020 are unvested as at 31 July 2021.

3 As the performance conditions associated with the PSU and option awards granted during financial period 2019 were not met, these awards were forfeited during the period ended 31 July 2021.

4 Number of PSUs awarded to executives who departed during FY 2021 adjusted pro rata up to last contractual working day based on exit agreements.

## Compensation Report (continued)

### Further Information

#### Previous and Discontinued Compensation Plans

##### *Option equivalent plan*

Vesting of the awards under the Option Equivalent Plan issued during FY 2012 was conditional on compound annual growth in underlying diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualized basis. The awards were also subject to additional conditions, including:

- (a) the requirement to remain in service throughout the performance period;
- (b) the requirement that ARYZTA's reported ROIC over the expected performance period is not less than 120% of its weighted average cost of capital; and
- (c) the requirement that annual dividends to shareholders are at least 15% of underlying EPS during the performance period.

The vested Option Equivalent Plan awards still outstanding as of 31 July 2021 can be exercised no longer than ten years after grant date.

No Option Equivalent Awards under the Option Equivalent Plan were granted to the Executive Management during FY 2021 nor FY 2020.

	No. of options carried forward FY 2021	Forfeited during the year	No. of options Closing position FY 2021	No. of options of which Vesting criteria have been fulfilled <sup>1</sup>
Owen Killian	2,116,177	–	2,116,177	2,116,177
Patrick McEniff	1,692,941	–	1,692,941	1,692,941
Pat Morrissey	470,261	–	470,261	470,261
Dermot Murphy	235,131	–	235,131	235,131
<b>Total former executive management</b>	<b>4,514,510</b>	<b>–</b>	<b>4,514,510</b>	<b>4,514,510</b>

<sup>1</sup> The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 8.53.

### Loans Granted to the Board of Directors or the Executive Management

No loans or advances were made by the ARYZTA Group to members of the Board or to Executive Management during FY 2021 or were outstanding at 31 July 2021 (2020: Nil).

#### Compensation to former Executive Management and members of the Board of Directors

During FY 2021 legacy settlements in the amount of CHF 7.3m relating to former executive management agreements from FY 2017 were fulfilled. For FY 2021, no compensation payments were made to former members of Executive Management or the Board of Directors who had left ARYZTA, or related parties.



## Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2021

We have audited the compensation report of ARYZTA AG for the period ended 31 July 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 62 and 69 of the compensation report.



### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.



### Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Opinion

In our opinion, the compensation report for the period ended 31 July 2021 of ARYZTA AG complies with Swiss law and articles 14–16 of the Ordinance.



Ernst & Young Ltd

*Martin Gröli*

Martin Gröli  
Licensed audit expert  
Auditor in charge

*Jennifer Mathias*

Jennifer Mathias  
Certified public accountant

Zurich, 4 October 2021