

ARYZTA AG

Corporate Governance – Extensive Changes to Remuneration



Extensive Changes to Remuneration – Summary of Key Changes

- ✿ ARYZTA acknowledges the recommendations and shareholder feedback on the Compensation Report from last year's AGM and has taken numerous steps to improve on disclosure in response to shareholder dissent at the 2021 AGM
- ✿ The Chair of Remuneration Committee, in her letter to shareholders said *"during FY2022, the RemCo keenly absorbed last year's feedback on our compensation practices"*

Summary of Key Changes:-

- No retention or discretionary payments made in FY2022 and the Company will refrain from making any such payments in the future
- Increased transparency and strategic alignment of the Short Term Incentive Plan
- Disclosure of interim CEO's individual measures
- Executive Management members compensated based on key Group financial metrics including Group Total Revenue, EBITA & Cash Flow to foster consistency and incentivize close collaboration among the Executive Management
- LTIP refined – Award level reduced from 100% of base salary to 66% and maximum pay out level reduced from 200% to 150% which aligns with shareholder expectations and market practice
- LTIP weightings rebalanced – TSR remains with a greater emphasis given to EBITA & ROIC denoting the importance of business performance and depth of the turnaround
- LTIP clawback clause confirmed
- Total compensation for Board and Executive Management stayed well within the maximum compensation previously approved by shareholders
- Overall, increased transparency and readability with regards to compensation report structure and content

Greater Transparency on STI Performance and Achievements

- ARYZTA published the performance measures, weighting and actual achievement for Executive Management in the tables on Pages 64 & 65 of the Annual Report
- In particular the second table (below, right) **has been introduced** for FY 2022 to provide greater disclosure on achievement levels
- The company also details the **CEO’s qualitative individual targets** on Page 65 of the Annual Report; namely: *“key country turnaround plans, talent & succession management and Group funding initiatives”*
- A rigorous approach is conducted to define the annual qualitative individual objectives of the CEO and the RemCo conducted a rigorous and comprehensive assessment of his performance achievement

| Measures | Other Executive Management | | Actual performance FY 2022 v Target | STIP Achievement factor in % | CEO Achievement factor in % |
|---|----------------------------|-------------|--|------------------------------------|-----------------------------------|
| | CEO | Members | | | |
| Group Total Revenue | 10% | 10% | 106% | 130% | 130% |
| Group EBITA | 50% | 60% | 98% | 90% | 90% |
| Group Operating Free Cash Flow | 20% | 30% | 112% | 150% | 150% |
| Qualitative Individual Targets ¹ | 20% | | 120% | | 120% |
| Total | 100% | 100% | | 112% | 112% |

Long Term Incentive Evolution

- Greater emphasis given to Earnings and Return on Investment – this change being made to focus on business performance
- ARYZTA returned to profit for the first time in many years during 2022 and Executive Management's alignment with operating profit and returns measures ensures clear focus on continuing the turnaround
- Relative TSR remains with a 20% weighting thus giving a strong underpin
- RemCo reserves its discretion to adjust the vesting multiples if it considers the calculations not reflecting the shareholders interests to ensure pay for performance
- All performance measures and targets are set in alignment with the plans outlined at our recent Capital Markets Day in June 2022

Directors Remuneration – Changes since AGM 2021

- With the exception of the introduction of a Lead Independent Director and Chair of Ad Hoc fee, the compensation structure and fee levels for the members of the Board **remained unchanged** compared to the previous term
- The role of the Lead Independent Director entailed a supplementary workload in FY 2022 which led to an upwards review of the fee which had been set for the first LID. The Board increased the fee to CHF 158,200 (an increase from CHF 123,000)
- The Board’s rationale for the increase in the LID fee:-
 - it is recognised that there is significant extra workload and time commitment involved in performing the Lead Independent Director (“LID”) role for which he is pro-active and fully engaged
 - a fair and appropriate uplift was made given ARYZTA’s commitment to adhere to the highest standards of corporate governance and the dedication shown by this LID in terms of his time, effort and engagement on ARYZTA Board matters
 - a significant portion of the LID’s working time is devoted to his ARYZTA mandate
- As part of the dual mandate governance structure, the Board decided that in consideration of the significant work involved in performing detailed reviews and approving Company media releases largely conducted out of hours and over weekends, it would be fair and appropriate to pay an ad hoc fee of CHF 16,000 to the Ad Hoc Chair. The Ad Hoc Chair is an independent, non-executive Board member and has the necessary skills and financial background to fulfil this important governance function for the Board

Thank you