

# Annual Report and Accounts 2014

## Corporate Governance Report

### Preliminary remarks

ARYZTA is committed to best practice in corporate governance.

The primary corporate governance instruments adopted by ARYZTA (namely the Articles of Association, Organisational Regulations and Terms of Reference for the Committees of the Board) are available on the Company website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx). While recognising the importance of these formal instruments, good corporate governance requires a commitment to, and the practice of, values that guide the Group in serving the needs of its stakeholders, be they shareholders (institutional or retail), customers, consumers, suppliers, employees or other interested groups.

### ARYZTA Board

ARYZTA is committed to continually reviewing its corporate governance framework, with a view to related developments.

The Board's policy is that a majority of its membership, excluding the Chairman, shall consist of independent non-executive directors (as determined in accordance with the Swiss Code of Best Practice for Corporate Governance).

At the ARYZTA 2013 Annual General Meeting ('AGM'), one new independent non-executive director and one new executive director were appointed by the shareholders.

The Group utilises leading international search firms to advise and assist the Board in its ongoing renewal programme. The aim of this programme is to ensure that ARYZTA is served by a Board whose members possess the right mix of skills, experience and talent and who share ARYZTA's values.

The coming into force of the Ordinance Against Excessive Compensation with respect to Listed Stock Corporations ('the Ordinance'), subject to transitional provisions, will bring about certain changes in our corporate governance. By virtue of the Ordinance, as from the ARYZTA 2014 AGM, the General Meeting will have the following non-transferable powers:

- Annual election of all directors
- Election of the Chairman of the Board
- Election of the members of the Nomination and Remuneration Committee
- Election of the independent proxy
- Vote on the compensation of the Board and Executive Management

### Compensation Report

At the 2013 Annual General Meeting, the shareholders ratified the 2013 Compensation Report through a separate advisory vote. The 2014 Compensation Report, included on pages 47 to 56 of this Annual Report, sets out intended voting arrangements for compensation over the coming years.

## Corporate Governance Report (continued)

### ARYZTA Corporate Governance Report format

The ARYZTA Corporate Governance Report follows the SIX Swiss Exchange Directive on Information Relating to Corporate Governance and takes into account the Swiss Code of Best Practice for Corporate Governance.

The ARYZTA Group consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law. The ARYZTA AG Company financial statements are prepared in accordance with the requirements of Swiss Law and the Company's Articles of Association. Where necessary, the financial statement disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance.

In this report, the terms 'ARYZTA' and the 'Company' refer to ARYZTA AG, whereas the 'Group' and the 'ARYZTA Group' refer to ARYZTA AG and its subsidiaries. The 'Board' refers to the Board of Directors of the Company. 'Origin' means Origin Enterprises plc (ARYZTA has a 68.1% holding in Origin Enterprises plc), and the 'Origin Board' means the Board of Directors of Origin Enterprises plc.

To avoid duplication, in some sections cross-references are made to the 2014 Financial Statements (comprising the Group consolidated financial statements and Company financial statements of ARYZTA AG), as well as to the Articles of Association of ARYZTA AG (available on the Company website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx)).

## 1 Group structure and shareholders

### 1.1 Group structure

The Group is structured conventionally. The ARYZTA General Meeting is the supreme corporate body and the Board is accountable and reports to the shareholders, by whom it is elected. The Board, while entrusted with the ultimate direction of ARYZTA, as well as the supervision and control of management, has delegated responsibility for the day-to-day management of the Group, to the extent allowed under Swiss law, through the Chief Executive Officer ('CEO'), to Executive Management. The Group's management and organisational structure corresponds to its segmental reporting lines: Food Europe, Food North America, Food Rest of World and Origin.

Each segment's management team is responsible for the day-to-day activities of their segment and reports to Executive Management, which in turn reports through the CEO to the Board. Origin constitutes an exception, as it is a public company in its own right, with its own Board of Directors, separate executive management team, governance structure and ring-fenced financing arrangements. The executive management team within Origin reports to the Origin Board. The Origin Board is accountable and reports to its shareholders, including ARYZTA. Owen Killian (CEO) and Patrick McEniff, Chief Financial Officer ('CFO') and Chief Operations Officer ('COO'), are ARYZTA Board members and are also members of the Origin Board. Pat Morrissey, ARYZTA General Counsel, Company Secretary and Chief Administrative Officer ('CAO') is also Company Secretary of Origin.

## Corporate Governance Report (continued)

### 1.1.1 Listed companies of the ARYZTA Group

#### ARYZTA AG

|                                |   |
|--------------------------------|---|
| Name and domicile:             | ARYZTA AG, 8001 Zurich, Switzerland     |
| Primary listing:               | SIX Swiss Exchange, Zurich, Switzerland |
| Swiss Security number:         | 4 323 836                               |
| ISIN:                          | CH0043238366                            |
| Cedel / Euroclear common code: | 037252298                               |
| Secondary listing:             | ISE Irish Exchange, Dublin, Ireland     |
| SEDOL Code:                    | B39VJ74                                 |
| Swiss Stock Exchange symbol:   | ARYN                                    |
| Irish Stock Exchange symbol:   | YZA                                     |

Stock market capitalisation as of 31 July 2014:

CHF 7,274,418,690 or €5,995,884,496 based on 88,174,772 registered shares (i.e. disregarding 3,635,762 treasury shares) and closing prices of CHF 82.50 or €68.00 per share.

Stock market capitalisation as of 31 July 2013:

CHF 5,044,846,528 or €4,079,937,017 based on 88,119,590 registered shares (i.e. disregarding 3,690,944 treasury shares) and closing prices of CHF 57.25 or €46.30 per share.

#### Origin Enterprises plc

|                            |  |
|----------------------------|--|
| Name and domicile:         | Origin Enterprises plc, Dublin 8, Ireland  |
| Holding:                   | ARYZTA Group has a 68.1% holding in Origin Enterprises plc                               |
| Dual primary listing:      | ESM Irish Exchange, Dublin, Ireland<br>AIM London Stock Exchange, London, United Kingdom |
| ISIN:                      | IE00B1WV4493   |
| SEDOL Code:                | B1WV449  |
| Irish ESM exchange symbol: | OIZ  |
| London AIM symbol:         | OGN  |

Stock market capitalisation as of 31 July 2014:

€1,045,135,315 based on 125,165,906 ordinary shares and closing price of €8.35 per share.

Stock market capitalisation as of 31 July 2013:

€830,994,930 based on 138,499,155 ordinary shares and closing price of €6.00 per share.

### 1.1.2 Non-listed companies of the ARYZTA Group

Details of the significant subsidiaries and associated companies of ARYZTA (being their company names, domicile, share capital, and the Company's participation therein) are set out in note 35 of the ARYZTA Group consolidated financial statements for 2014 on page 147.

## Corporate Governance Report (continued)

### 1.2 Significant shareholders

As at 31 July 2014, the Company has been notified of the following shareholdings or voting rights, which amount to 3% or more of the Company's issued ordinary share capital:

|                        | Number<br>of shares<br>2014 | Number of<br>shares %<br>2014 | Number<br>of shares<br>2013 | Number of<br>shares %<br>2013 |
|------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| ARYZTA Treasury shares | 3,635,762                   | 3.96%                         | 3,690,944                   | 4.02%                         |
| MassMutual             | 2,799,110                   | 3.05%                         | 2,799,110                   | 3.05%                         |

Any significant shareholder notifications during the year and since 31 July 2014 are available from the Group's website at:

[www.aryzta.com/investor-centre/shareholder-notifications.aspx](http://www.aryzta.com/investor-centre/shareholder-notifications.aspx).

### 1.3 Cross-shareholdings

The ARYZTA Group has no interest in any other company exceeding five percent of voting rights of that other company, where that other company has an interest in the ARYZTA Group exceeding five percent of the voting rights in ARYZTA.

## 2 Capital structure

### 2.1 Capital

The registered share capital of the Company amounts to CHF 1,836,210.68 and is divided into 91,810,534 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-up.

### 2.2 Authorised and conditional capital

ARYZTA has no conditional share capital.

Pursuant to Article 5 of the Articles of Association (governing Authorised Share Capital for General Purposes), the amount by which the share capital of the Company may be increased for general purposes may not exceed CHF 183,621.06 (through the issue of up to 9,181,053 registered shares). Authority for this purpose expires on 10 December 2015.

The Board has the power to determine the issue price, the period of entitlement to dividends and the type of consideration or the contribution in kind for such an issue. The Board may withdraw the pre-emptive rights and allocate them to third parties in the event of the use of those shares: (1) for acquisitions, subject to a maximum of 9,181,053 registered shares; (2) to broaden the shareholder constituency, subject to a maximum of 4,590,526 registered shares; or (3) or for the purposes of employee participation, subject to a maximum of 3,060,351 registered shares. For further details, refer to Article 5 of the Articles of Association, which is available on the Company website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx).

## Corporate Governance Report (continued)

### 2.3 Changes in capital

Trading in ARYZTA shares on the SIX Swiss Exchange and the Irish Stock Exchange commenced in August 2008.

The subsequent changes in share capital, treasury shares and the allocation of treasury shares to awards granted in connection with the ARYZTA Long-Term Incentive Plans (Matching Plan and Option Equivalent Plan) are as follows:

|  | Nominal<br>value CHF | Shares<br>in issue | Shares<br>outstanding | Treasury<br>shares | Matching Plan<br>Allocation | Option Plan<br>Allocation | Unallocated<br>Treasury shares |
|--|----------------------|--------------------|-----------------------|--------------------|-----------------------------|---------------------------|--------------------------------|
| Issuance of shares on formation of ARYZTA                  | 0.02                 | 78,940,460         | 78,940,460            | –                  | –                           | –                         | –                              |
| Issuance of shares to subsidiary                           | 0.02                 | 2,240,000          | –                     | 2,240,000          | –                           | –                         | 2,240,000                      |
| Treasury share disposal                                    | –                    | –                  | 5,641                 | (5,641)            | –                           | –                         | (5,641)                        |
| Granting of LTIP awards                                    | –                    | –                  | –                     | –                  | 1,035,000                   | –                         | (1,035,000)                    |
| <b>As of 31 July 2009</b>                                  |                      | <b>81,180,460</b>  | <b>78,946,101</b>     | <b>2,234,359</b>   | <b>1,035,000</b>            | <b>–</b>                  | <b>1,199,359</b>               |
| Issuance of shares on acquisition of Fresh Start Bakeries  | 0.02                 | 3,864,335          | 3,864,335             | –                  | –                           | –                         | –                              |
| Forfeitures of LTIP awards                                 | –                    | –                  | –                     | –                  | (60,000)                    | –                         | 60,000                         |
| Granting of LTIP awards                                    | –                    | –                  | –                     | –                  | –                           | 1,200,000                 | (1,200,000)                    |
| <b>As of 31 July 2010</b>                                  |                      | <b>85,044,795</b>  | <b>82,810,436</b>     | <b>2,234,359</b>   | <b>975,000</b>              | <b>1,200,000</b>          | <b>59,359</b>                  |
| <b>As of 31 July 2011</b>                                  |                      | <b>85,044,795</b>  | <b>82,810,436</b>     | <b>2,234,359</b>   | <b>975,000</b>              | <b>1,200,000</b>          | <b>59,359</b>                  |
| Vesting of LTIP awards                                     | –                    | –                  | 975,000               | (975,000)          | (975,000)                   | –                         | –                              |
| Issuance of shares to subsidiary                           | 0.02                 | 2,513,500          | –                     | 2,513,500          | –                           | –                         | 2,513,500                      |
| Granting of LTIP awards                                    | –                    | –                  | –                     | –                  | 944,250                     | 1,569,250                 | (2,513,500)                    |
| Forfeitures of LTIP awards                                 | –                    | –                  | –                     | –                  | (194,250)                   | (259,250)                 | 453,500                        |
| Issuance of shares to broaden the shareholder constituency | 0.02                 | 4,252,239          | 4,252,239             | –                  | –                           | –                         | –                              |
| <b>As of 31 July 2012</b>                                  |                      | <b>91,810,534</b>  | <b>88,037,675</b>     | <b>3,772,859</b>   | <b>750,000</b>              | <b>2,510,000</b>          | <b>512,859</b>                 |
| Granting of LTIP awards                                    | –                    | –                  | –                     | –                  | 222,750                     | 222,750                   | (445,500)                      |
| Exercise of LTIP awards                                    | –                    | –                  | 81,915                | (81,915)           | –                           | (370,000)                 | 288,085                        |
| Forfeitures of LTIP awards                                 | –                    | –                  | –                     | –                  | (246,750)                   | (123,250)                 | 370,000                        |
| <b>As of 31 July 2013</b>                                  |                      | <b>91,810,534</b>  | <b>88,119,590</b>     | <b>3,690,944</b>   | <b>726,000</b>              | <b>2,239,500</b>          | <b>725,444</b>                 |
| Exercise of LTIP awards                                    | –                    | –                  | 55,182                | (55,182)           | –                           | (115,000)                 | 59,818                         |
| Forfeitures of LTIP awards                                 | –                    | –                  | –                     | –                  | (3,000)                     | (29,000)                  | 32,000                         |
| <b>As of 31 July 2014</b>                                  |                      | <b>91,810,534</b>  | <b>88,174,772</b>     | <b>3,635,762</b>   | <b>723,000</b>              | <b>2,095,500</b>          | <b>817,262</b>                 |

Of the 91,810,534 registered shares, 88,174,772 are outstanding and 3,635,762 are classified as treasury shares. As of 31 July 2014, 817,262 of the treasury shares remain unallocated.

## Corporate Governance Report (continued)

### 2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2014, ARYZTA has 91,810,534 fully paid-up, registered shares (including 3,635,762 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates<sup>1</sup>.

### 2.5 Profit-sharing certificates

ARYZTA has not issued any profit-sharing certificates<sup>1</sup>.

### 2.6 Restrictions on transferability and nominee registrations

Article 7 of the Articles of Association deals with the Shareholders' Register and Transfer Restrictions and is available on the Company website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx).

#### 2.6.1 Limitations on transferability

Pursuant to Article 7 b) of the Articles of Association, persons acquiring registered shares are, on application, entered in the share register without limitation as shareholders with voting power, provided they comply with the disclosure requirement stipulated by the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) of 24 March 1995 and expressly declare that they have acquired the shares in their own name and for their own account.

#### 2.6.2 Exceptions granted in the year under review

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CREST<sup>2</sup> Depository Interests ('CDIs')<sup>3</sup>.

A CDI represents an entitlement to an ARYZTA registered share. CDI holders are not the legal owners of the shares represented by the CDIs. They are not in a position to directly enforce or exercise rights like a shareholder. However, CDI holders do maintain an interest in the shares represented by the CDIs.

<sup>1</sup> Participation and profit-sharing certificates are instruments which have similar features to shares, but may differ with regard to their entitlement to dividend payments, voting rights, preferential rights to company assets or other similar rights.

<sup>2</sup> The CREST system, operated by Euroclear UK and Ireland, is the system for the holding and settlement of transactions in uncertificated (UK, Irish and Channel Island) securities.

<sup>3</sup> ARYZTA shares are held in trust by Euroclear UK and Ireland for the benefit of CREST members who have been issued with dematerialised interests representing entitlements to ARYZTA registered shares in the form of CDIs.

## Corporate Governance Report (continued)

To facilitate voting by CDI holders, the Company has entered arrangements with Euroclear UK and Ireland to enable, by way of exception, registration of CREST International Nominees Limited ('CREST') in the share register as nominee with voting rights for the number of registered shares corresponding to the number of CDIs on the CDI register. There were no other exceptions to the provisions of section 2.6.1 above granted in the year under review.

CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

### 2.6.3 Admissibility of nominee registrations

Pursuant to Article 7 c) of the Articles of Association, nominee shareholders are entered in the share register with voting rights without further inquiry up to a maximum of 1.5% of the outstanding share capital available at the time. Above this 1.5% limit, registered shares held by nominees are entered in the share register with voting rights only if the nominee in question (at the application for registration or thereafter upon request by the Company) discloses the names, addresses and shareholdings of the persons for whose account the nominee holds 0.3% or more of the outstanding share capital available at that time and provided that the disclosure requirement stipulated by the Stock Exchange Act is complied with. The Board has the right to conclude agreements with nominees concerning their disclosure requirements.

Pursuant to Article 7 d) of the Articles of Association, the limit of registration in Article 7 c) of the Articles of Association described above also applies to the subscription for or acquisition of registered shares by exercising option or convertible rights arising from registered or bearer securities issued by the Company, as well as by means of purchasing pre-emptive rights arising from either registered or bearer shares.

Pursuant to Article 7 e) of the Articles of Association, legal entities, or partnerships, or other associations or joint ownership arrangements, which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships that act in concert with intent to evade the entry restriction, are considered as one shareholder or nominee.

### 2.6.4 Procedure and conditions for cancelling statutory privileges

Pursuant to Article 7 f) of the Articles of Association, the Company may in special cases approve exceptions to the regulations described in section 2.6.3 above. After due consultation with the person concerned, the Company is further authorised to delete entries in the share register as a shareholder with voting rights, with retroactive effect, if they were effected on the basis of false information, or if the respective person does not provide the information pursuant to Article 7 c) described in section 2.6.3 above.

## Corporate Governance Report (continued)

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### 2.7 Convertible bonds, warrants and options

As of 31 July 2014, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2014, a total of 723,000 Matching Plan awards and a total of 2,095,500 Option Equivalent Plan awards granted to executives and senior management remain outstanding, subject to fulfilment of predefined vesting conditions in connection with these ARYZTA Long Term Incentive Plans.

Please refer to the Compensation Report on pages 47 to 56 of this Annual Report for further information pertaining to the vesting of Matching Plan and Option Equivalent Plan awards granted as an element of Executive Management compensation.

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## 3 Board of Directors

### 3.1 Members of the Board of Directors

At 31 July 2014, the Board of ARYZTA consists of three executive directors and eight non-executive directors, each of whom is considered by the Board to be independent in character and judgement. Moreover, none of the non-executive directors are party to relationships or circumstances with ARYZTA which, in the Board of Directors' opinion, are likely to affect their judgement. All interests linked to each individual director in this section correspond to the nationality of that director, unless otherwise stated.



## Corporate Governance Report (continued)



**Denis Lucey** (1937, Irish)

**Chairman (since August 2008), and non-executive member**

*Diploma in Dairy Science from University College Cork*

Denis Lucey has a background in the agricultural co-operative movement in Ireland. In 1982, he was appointed Chief Executive Officer of Mitchelstown Co-Operative Agricultural Society Limited, a position he held until the merger of that co-operative with the Ballyclough Co-Operative Creamery Limited in 1990 and the formation of Dairygold Co-Operative Society Limited. He served as Chief Executive Officer of Dairygold Co-Operative Society Limited until March 2003. He joined the Board of IAWS Group plc as a non-executive director in September 2000, and was elected Chairman of the Board in 2005. He has served as Chairman of ARYZTA since its admission to trading on the SIX Swiss Exchange and the Irish Stock Exchange in August of 2008. He is also currently Chairman of the Milk Quota Appeals Tribunal for the Irish Department of Agriculture, Fisheries and Food.



**Charles Adair** (1951, American)

**Non-executive member**

*Bachelor of Arts in Biology from North Park College and a Master of Science from Michigan State University in Resource Economics*

Charles Adair is Vice-Chairman of BMO Capital Markets, a full-service investment bank headquartered in Toronto, Canada. He began his career in the agricultural commodity trading and transportation industries in the U.S. and joined BMO Capital Markets in 1984 in Chicago. He was a leader in the formation of BMO's initial U.S. investment banking effort as one of the senior members of the Chicago investment banking platform in 1995. In addition, he started and continues to lead BMO's Food & Agribusiness Mergers & Acquisitions practice from Chicago. With over 35 years of experience in the food and agribusiness industries, he continues to focus on advising public and private companies on financing and mergers & acquisitions. He became a member of the ARYZTA Board of Directors in December 2010.



**Hugh Cooney** (1952, Irish)

**Non-executive member**

*Bachelor of Commerce from University College Dublin, Fellow of the Association of Chartered Certified Accountants*

Hugh Cooney is a Certified Accountant with more than 40 years' experience working with a number of major professional advisory firms, including NCB Corporate Finance, Arthur Andersen and BDO in Ireland. He retired from practice in 2008 and is now a consultant with KPMG, Ireland, and a non-executive director of Aon MacDonagh Boland Group (since 2008) and Bio-Medical Research Limited (since 2012), all Irish companies. He became a member of the ARYZTA Board of Directors in December 2011.

## Corporate Governance Report (continued)



**J. Brian Davy** (1942, Irish)

**Non-executive member**

*Bachelor of Commerce from University College Dublin*

Brian Davy is Chairman of Davy, Ireland's leading provider of stockbroking, wealth management and financial advisory services, and the sponsor of ARYZTA on the Irish Stock Exchange. He graduated from University College Dublin with a Bachelor of Commerce Degree and has spent his entire working career in building up the business and executive team of Davy, where he has worked since 1965. He is a former director of the Irish Stock Exchange and Arnotts plc. He joined the Board of IAWS Group plc as a non-executive director in December 1995. He became a member of the ARYZTA Board of Directors in August 2008.



**Shaun B. Higgins** (1950, American)

**Non-executive member**

*Bachelor of Business Administration, Public Accounting, Pace University, New York; Advanced Management Program from INSEAD, in addition to executive programs at Harvard, Columbia, Duke and IMD*

Shaun B. Higgins qualified as a Certified Public Accountant while training and working with Ernst & Young, New York, USA, from 1972 to 1977. He worked in the beverage industry from 1977 to 2008, holding various senior finance and operating positions in the Coca-Cola and Seven-Up bottling enterprises in North America and Europe, culminating in the position of Executive Vice President and European President of Coca-Cola Enterprises, Inc. Shaun B. Higgins is a member of the Advisory Board of Carmine Labriola Contracting Corp., and an operating partner of Marvin Traub Associates. He is also a Fellow of the National Association of Corporate Directors. He became a member of the ARYZTA Board of Directors in December 2011.



**Owen Killian** (1953, Irish)

**CEO and executive member**

*Bachelor of Agricultural Science from University College Dublin*

Owen Killian is CEO of ARYZTA AG and has been since its admission to trading in 2008. He was previously CEO of IAWS Group plc since 2003. Prior to this, he held several executive positions within IAWS Group plc since it was listed in 1988. He has also served as the Chairman of the Origin Board of Directors since 2008.

## Corporate Governance Report (continued)



**Patrick McEniff** (1967, Irish)

**CFO/COO and executive member**

*Fellow of the Chartered Institute of Management Accountants; Master of Business Administration from Dublin City University*

Patrick McEniff joined IAWS Group plc after its listing on the Irish Stock Exchange in 1989 and has fulfilled various senior management roles, focused on finance and systems development. In 2004, he was appointed to the board of IAWS Group plc as its Group Finance Director. In 2008, upon the formation of ARYZTA AG, he was also appointed as CFO and member of the Board of Directors and in 2012 was also appointed as COO of the Group. He has also served as a member of the Origin Board of Directors since 2008.



**Andrew Morgan** (1956, English)

**Non-executive member**

*Bachelor of Arts from the University of Manchester*

Andrew Morgan has more than 25 years with Diageo Plc including most recently seven years as President Diageo Europe. Diageo is the world's leading premium drinks business and a FTSE top 10 company. Mr. Morgan also spent eight years with the Gillette Company in a number of sales and marketing roles. He has held a succession of marketing, strategy and general management positions with Diageo and has lived in London, Athens, Madrid and Barcelona, as well as managing emerging markets in Latin America, Asia and Africa. Mr Morgan is also a member of the Global Advisory Board of British Airways, and was a recent President of AIM, the European Consumer Goods Companies Association. He is also a member of the Council of the University of Leicester and is Chairman of the Centre for International Business and Management at Cambridge University. He became a member of the ARYZTA Board of Directors in December 2013.



**Götz-Michael Müller** (1948, German)

**Non-executive member**

*Diplom-Kaufmann Westfälische Wilhelms-Universität, Münster, Germany*

Götz-Michael Müller has 30 years' experience working in fast-moving consumer goods companies in Germany. He worked from 1975 to 1996 with Kraft Foods (formerly Kraft Jacobs Suchard) in various marketing and management positions, culminating in the role of Executive Vice-President and Area Director for Kraft Jacobs Suchard, Germany. From 1997 to 2001, he served as member of the executive management (Vice-President of marketing & sales) with Brauerei Beck & Co, Bremen, Germany, and from 2001 to 2003 as Managing Director Germany, Coca-Cola GmbH, Berlin, Germany. From 2006 to 2007, Götz-Michael Müller served as a member of the Board of SIG Combibloc AG (previously SIG Holding AG), Schaffhausen, Switzerland. He is a member of the "Wissenschaftliche Gesellschaft für Marketing und Unternehmensführung" (Academic Society for Marketing and Business Leadership) at the University of Münster, Germany, and the Advisory Board of the Bremen branch of Deutsche Bank, Germany. He became a member of the ARYZTA Board of Directors in December 2011.

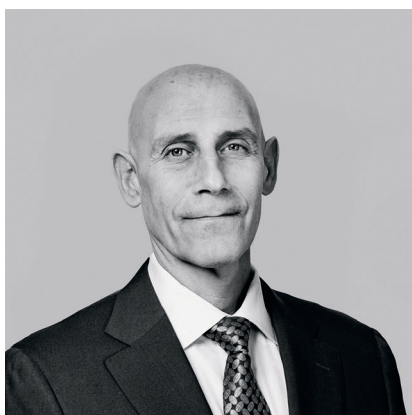
## Corporate Governance Report (continued)



**Wolfgang Werlé** (1948, German)

**Non-executive member**

Wolfgang Werlé has held several positions within the Food and Beverage and Services industries including President and CEO of Gate Gourmet International from 1992 to 1995 and as President and CEO of SAir Relations from 1996 to 2001, both within the Swissair / SAir-Group. From 2001 to 2008, he then served as CEO and Delegate of the Board of Hiestand International and from 2007 to 2008 as Chairman of Hiestand Holding AG. He also served as a member of the Board of Directors of ARYZTA AG from August 2008 to December 2008. He has also served on the Board of Schweizerische Post / Swiss Post Services from 2002 to 2010 and as a member of the Board of Directors of Grand Resort Bad Ragaz since 2005 and of Cat Holding AG since 2012. He became a member of the ARYZTA Board of Directors in December 2012.



**John Yamin** (1956, American)

**CEO of the Americas and executive member**

*Bachelor of Science from Skidmore College, NY*

John Yamin has over 30 years of experience working in the food service industry across North America. He held various executive positions at Starbucks Coffee Company and Caravali Coffee, Inc. from 1994 to 2002. From 1980 to 1994, he held executive management roles at Marriott Corporation, ARAMARK Services and Louise's Trattoria, Inc. In 2002, he joined La Brea Bakery, Inc. as Senior Vice president of Brand Development, which culminated into the Chief Executive Officer role in 2003. He is a member of the Garden School Foundation Board of Directors as well as a fellowship member of the Culinary Institute of America. He became a member of the ARYZTA Board of Directors in December 2013.



**Pat Morrissey** (1965, Irish)

**Secretary to the Board**

**Group General Counsel, Company Secretary and CAO**

*Bachelor of Civil Law (UCD, NUI); Solicitor, Law Society of Ireland*

From 1988 to 1998, Pat Morrissey spent his career with Irish law firm LK Shields, where he was admitted as a partner in 1995. In 2000, he joined IAWS Group plc as General Counsel and was appointed General Counsel and Company Secretary in 2005. He has served as Group General Counsel and Company Secretary of ARYZTA since its establishment and effective August 2013 was appointed CAO of ARYZTA. He is also Company Secretary of Origin Enterprises plc.



## Corporate Governance Report (continued)

### 3.2 Other activities and functions

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. There were no related-party transactions between the ARYZTA Group and Board members during the year ended 31 July 2014 (2013: none).

### 3.3 Elections and terms of office

The General Meeting has the competence to appoint and remove the members of the Board. To date, the term of office has corresponded to the maximum term legally allowed, but has not exceeded three years. By virtue of the Ordinance, all directors will be subject to annual election by the General Meeting.

### 3.4 Internal organisational structure

#### 3.4.1 Allocation of tasks within the Board of Directors

The Board has adopted Organisational Regulations that define the essential roles and responsibilities of the Board, the Chairman, the Committees of the Board and Executive Management. To date the office of Chairman, together with membership of the Committees of the Board and the Chair thereof, have been determined annually by the Board, following the Annual General Meeting, in accordance with the Organisational Regulations, which are available on the ARYZTA website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx).

#### 3.4.2 Tasks and areas of responsibility for each Committee of the Board of Directors

ARYZTA has an Audit Committee and a Nomination and Remuneration Committee. The powers and responsibilities of each Committee are set out in their respective Terms of Reference, as approved by the Board and are available on the ARYZTA website at [www.aryzta.com/about-aryzta/corporate-governance.aspx](http://www.aryzta.com/about-aryzta/corporate-governance.aspx).

As of 31 July 2014, these Committees are comprised as follows:

|                                  | Audit Committee | Nomination & Remuneration Committee |
|----------------------------------|-----------------|-------------------------------------|
| Denis Lucey (Chairman)           |                 | X                                   |
| Charles Adair                    |                 | X                                   |
| Hugh Cooney                      | X               |                                     |
| J. Brian Davy                    |                 | X <sup>1</sup>                      |
| Shaun B. Higgins                 | X <sup>1</sup>  |                                     |
| Owen Killian (CEO)               |                 |                                     |
| Patrick McEniff (CFO/COO)        |                 |                                     |
| Andrew Morgan                    | X               |                                     |
| Götz-Michael Müller              |                 |                                     |
| Wolfgang Werlé                   | X               |                                     |
| John Yamin (CEO of the Americas) |                 |                                     |

X denotes that the Board Member is on the applicable Committee.

1 denotes the Board Member who chairs the applicable Committee.

## Corporate Governance Report (continued)

### Audit Committee

From 1 August 2013 until the Annual General Meeting on 10 December 2013, the Audit Committee was comprised of three non-executive directors, namely Shaun B. Higgins (Chairman), Hugh Cooney and Wolfgang Werlé. From 10 December 2013 through to 31 July 2014, the Audit Committee is comprised of four non-executive directors, namely Shaun B. Higgins (Chairman), Hugh Cooney, Andrew Morgan and Wolfgang Werlé. Each of these directors is considered by the Board to be independent in judgement and character. In the 2014 financial year, the Audit Committee met four times and the average duration of the meetings was approximately three hours.

The Audit Committee's role includes reviewing the Group consolidated financial statements and Company financial statements, the interim and full-year results and the significant financial reporting judgements contained therein. The Audit Committee also reviews the Group's internal controls, and the scope and effectiveness of the Group's Internal Audit function. The Head of Internal Audit has access to the Audit Committee at all times and they, as well as the CFO/COO, regularly attend meetings of the Audit Committee by invitation.

In financial year 2014, the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- the audit and non-audit fees payable to the Group's external auditor;
- the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks to the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the Group's financial controls and risk systems;
- the Internal Audit function's terms of reference, resources, its work programme and reports on its work during the year; and
- the arrangements by which staff may, in confidence, raise concerns about possible fraud.

### Nomination and Remuneration Committee

As of 31 July 2014, the Nomination and Remuneration Committee is comprised of three non-executive directors namely J. Brian Davy (Chairman), the Company Chairman, Denis Lucey and Charles Adair. Each of these directors is considered by the Board to be independent in judgement and character. In financial year 2014, the Nomination and Remuneration Committee met three times and the average duration of the meetings was approximately two hours.

The Nomination and Remuneration Committee is responsible for determining the remuneration of the executive and non-executive members of the Board, for nominating for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies, and for the continuous review of senior management succession plans. The Group's remuneration policy for executive and non-executive directors and details of directors' remuneration are contained in the Compensation Report on pages 47 to 56 of this Annual Report, in accordance with the Swiss Code of Obligations and the SIX Directive on Information Relating to Corporate Governance.

## Corporate Governance Report (continued)

### 3.4.3 Work methods of the Board and its Committees

Six Board meetings were held during the year. The average duration of regular Board meetings was approximately five hours. In addition, the Board held a two-day meeting during the year to consider ARYZTA Group strategy and inspected Group bakeries, kitchens and facilities in North America over a five-day period. At each meeting, the Chairs of the Committees report to the Board on their activities as necessary. Details of the work methods of the Committees are set out in Section 3.4.2

|                        | Board              |          | Audit              |          | Nomination & Remuneration |          |
|------------------------|--------------------|----------|--------------------|----------|---------------------------|----------|
|                        | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend        | Attended |
| Denis Lucey (Chairman) | 6                  | 6        |                    |          | 3                         | 3        |
| Charles Adair          | 6                  | 6        |                    |          | 3                         | 3        |
| Hugh Cooney            | 6                  | 5        | 4                  | 3        |                           |          |
| J. Brian Davy          | 6                  | 6        |                    |          | 3                         | 3        |
| Shaun B. Higgins       | 6                  | 6        | 4                  | 4        |                           |          |
| Owen Killian           | 6                  | 6        |                    |          |                           |          |
| Patrick McEniff        | 6                  | 6        |                    |          |                           |          |
| Andrew Morgan          | 4                  | 4        | 2                  | 2        |                           |          |
| Götz-Michael Müller    | 6                  | 6        |                    |          |                           |          |
| Wolfgang Werlé         | 6                  | 6        | 4                  | 4        |                           |          |
| John Yamin             | 4                  | 4        |                    |          |                           |          |

### 3.5 Definition of areas of responsibility

The Board of Directors is the ultimate governing body. It has the power and competencies afforded by Swiss law (art. 716a of the Swiss Code of Obligation (CO)) including in particular:

- 1) to approve the strategic objectives, annual budget and capital allocations;
- 2) to appoint and remove executive management; and
- 3) to act as the ultimate supervisory authority.

The following fall within the exclusive competency of the Board of Directors:

- To ultimately direct the Company and issue the necessary directives;
- To determine the organisation;
- To structure the accounting, the internal control system, the financial control and the financial planning system as well as perform a risk assessment;
- To appoint and remove the persons entrusted with the management and the representation of the Company and to grant signatory power;
- To ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law and with the Articles of Association, regulations and directives;
- To prepare the business report, as well as the General Meeting and to implement its resolutions;
- To inform the judge in the event of over-indebtedness;
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-up shares;
- To pass resolutions confirming increases in share capital and the amendments to the Articles of Association entailed thereby;
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the external auditors; and
- To execute the agreements pursuant to art. 12, 36 and 70 of Swiss merger law.

## Corporate Governance Report (continued)

The Board has delegated responsibility for the day-to-day management of the Group, through the CEO, to Executive Management to the extent allowed by Swiss law.

### 3.6 Information and control instruments pertaining to Group Executive Management

Group Executive Management report in a regular and structured manner to the Board of Directors. The CEO and CFO/COO report to the Board on a systematic basis. At each Board Meeting, the CEO informs the Board of the status of current business operations, significant developments and major business transactions. Likewise, the CFO/COO reports on financial performance across the Group and key financial figures and parameters. In addition, executives within the Group regularly deliver presentations to the Board. The Board approves the formal Risk Assessment, which is required by Article 663b of the Swiss Code of Obligations. The Board has approved the design, implementation and maintenance of the Internal Control System required under Swiss law.

The ARYZTA Internal Audit function reports directly to the Audit Committee and to the Group General Counsel, Company Secretary and CAO. Internal Audit may audit all Group activities and regularly meets with Group Executive Management. Internal Audit discusses audit plans with the Audit Committee on at least an annual basis, but may discuss them more frequently should circumstances require.

The external auditors, PricewaterhouseCoopers AG (the Auditors of the ARYZTA Group consolidated financial statements and the Company financial statements), conduct their audits in compliance with the auditing standards referenced in their respective opinions.

## 4 Group Executive Management

For financial year 2013, Group Executive Management consisted of Owen Killian (Group CEO), Patrick McEniff (Group CFO/COO) and Pat Morrissey (Group General Counsel, Company Secretary and CAO).

For financial year 2014, Group Executive Management included the three individuals above, as well as John Yamin (CEO of the Americas).

No member of the Group Executive Management holds management contracts for any company outside the ARYZTA Group.

Details of Executive Directors and the Company Secretary are included in Section 3.1.

## 5 Compensation, shareholdings and loans

Please refer to note 10 of the ARYZTA AG Company financial statements on pages 157 to 161 for details of Board members' shareholdings and to the Compensation Report on pages 47 to 56 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes. No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2014 (2013: none).



## Corporate Governance Report (continued)

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### 6 Shareholders' participation

#### 6.1 Voting rights

Each ARYZTA share registered as a share conferring a voting right entitles the holder to one vote at a General Meeting. Proxies are entitled to attend shareholders' meetings and exercise all rights of the represented shareholders at such meetings.

As indicated previously in paragraph 2.6.2, ARYZTA pursues arrangements with Euroclear UK and Ireland to enable investors whose interests in ARYZTA are represented by CDIs to exercise their voting rights. CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

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#### 6.2 Statutory quorums

Pursuant to Article 14 of the Articles of Association, resolutions at the General Meeting calling for a quorum of at least two-thirds of the votes represented are required for:

- The cases listed in art. 704 para. 1 CO and in art. 18 and 64 Merger Act;
- The easement or abolition of the restriction of the transferability of registered shares;
- The conversion of bearer shares into registered shares; and
- Any change to the provisions of article 14 of the Articles of Association.

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#### 6.3 Convocation of General Meeting of the shareholders

General Meetings are convened by the Board of Directors and, if need be, by the Auditors. Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce and on the Group's homepage ([www.aryzta.com](http://www.aryzta.com)) at least 20 days before the date of the meeting. The notice must state, inter alia, the day, time and place of the Meeting and the agenda.

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#### 6.4 Agenda

The Board states the items on the agenda. One or more registered shareholders who jointly represent at least ten percent of the share capital of the Company registered in the Commercial Register may request items to be included in the agenda. Such requests must be in writing, specifying the items and the proposals, and be submitted to the Chairman at least 45 days before the date of the General Meeting.

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#### 6.5 Entry in the share register

The relevant date to determine the shareholders' right to participate in the General Meeting on the basis of the registrations appearing in the share register is set by the Board in the invitation to the General Meeting.

## Corporate Governance Report (continued)

### 7 Change of control and defence measures

#### 7.1 Obligation to make an offer

ARYZTA does not have a provision on opting out or opting up in the Articles of Association. Thus, the provisions regarding the legally prescribed threshold of 33 ⅓ % of the voting rights for making a public takeover offer set out in Article 32 of the Swiss Stock Exchange Act are applicable.

#### 7.2 Change of control clauses

Benefits under the ARYZTA LTIP vest upon a change of control. Otherwise, the agreements and plans benefiting the members of the Board or the Group Executive Management are unaffected by a change of control. Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 47 to 56 of this Annual Report.

### 8 Auditors

#### 8.1 Duration of the mandate and term of office of the lead auditor

Following a formal tender process, PricewaterhouseCoopers AG, Zurich, was elected as statutory auditor and Group auditor in December 2009. The term of office is one year. Patrick Balkanyi has been the lead auditor since PricewaterhouseCoopers AG's appointment in 2009. At the 2013 AGM, PricewaterhouseCoopers AG, Zurich, was re-elected as statutory auditor and Group auditor for the 2014 financial year.

#### 8.2 Audit fees

The total audit and audit-related fees charged by the Group auditors in financial year 2014 amounted to €2,867,000. Of these fees, €307,000 were charged to Origin Enterprises plc.

The total audit and audit-related fees charged by the Group auditors in the financial year 2013 amounted to €2,532,000. Of these fees, €277,000 were charged to Origin Enterprises plc.

#### 8.3 Additional fees

The Group's policy is to manage its relationship with the Group's external auditor to ensure their independence is maintained. In order to achieve this, the Board has determined limits on the type and scale of non-audit work that can be provided by the auditor.

Contracts to the auditor for other non-audit work are deemed to be pre-approved by the Audit Committee, up to an aggregate limit of 100% of the audit fee for the current year. This is subject to the requirement that all contracts for specific pieces of non-audit work with fees exceeding €250,000 be awarded on the basis of competitive tendering. Where the awarding of a contract for non-audit work to the auditor is to be made that is likely to increase total fees for non-audit work above this aggregate limit, the Group CFO notifies the Chairman of the Audit Committee in advance of such a contract being awarded.

Fees for additional services rendered by the auditors to the ARYZTA Group in financial year 2014 totalled €2,124,000 (2013: €1,900,000). The largest portion of these fees related to tax return preparation or review in over 20 countries, covering more than 100 legal entities. Of these fees, €12,000 (2013: €6,000) were charged to Origin Enterprises plc.

## Corporate Governance Report (continued)

### Auditor's remuneration

| in EUR '000  | 2014  | 2013  |
|--|-------|-------|
| – Auditor's remuneration for audit and audit-related services    | 2,867 | 2,532 |
| – Auditor's remuneration for tax compliance and related services | 988   | 1,214 |
| – Auditor's remuneration for tax consulting services             | 977   | 686   |
| – Auditor's remuneration for advisory services                   | 159   | –     |
|  | 4,991 | 4,432 |

|  |     |     |
|--|-----|-----|
| – Total other fees/Audit and audit-related services                    | 74% | 75% |
| – Tax consulting or advisory services/Audit and audit-related services | 40% | 27% |

### 8.4 Information tools pertaining to the external audit

PricewaterhouseCoopers presents to the Audit Committee a detailed report on the results of the 2014 Group consolidated and Company financial statement audits, the findings on significant financial accounting and reporting issues, as well as the findings on the Group's internal control system ('ICS').

In financial year 2014, both PricewaterhouseCoopers and the Group Head of Internal Audit participated in all four Audit Committee meetings. Other members of the Group Executive Management attended the meetings as invited. In addition, the Group Head of Internal Audit regularly met with the Chairman of the Audit Committee for interim updates.

On an annual basis, the Board of Directors reviews the selection of the auditors, in order to propose their appointment to the Annual General Meeting of ARYZTA. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law. The lead auditor rotates every seven years in accordance with Swiss law.

During meetings of the Audit Committee, audit and non-audit-related fees to be charged by PricewaterhouseCoopers during the year are reviewed to mitigate the risk of any potential impairment to PricewaterhouseCoopers' independence. PricewaterhouseCoopers monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

## 9 Investor Communications Policy

### Guiding principles

ARYZTA is committed to pursuing an open and consistent communication policy with shareholders, potential investors and other interested parties. The objective is to ensure that the perception of those parties about the historical record, current performance and future prospects of ARYZTA is in line with management's assessment of the current situation at ARYZTA. The guiding principles of this policy are that ARYZTA gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as complete, simple, transparent and consistent as possible.

## Corporate Governance Report (continued)

### Methodology

ARYZTA publishes its first-quarter trading update, half-year results, third-quarter trading update and full-year results (including the Annual Report) on the occasion of its quarterly announcement cycle (see details on page 45). These quarterly announcements are each accompanied by a news release. Additionally, a presentation and conference call, which is broadcast live on the internet (webcast) and which anyone can choose to access, whether a shareholder or not, are held on a half-yearly basis, or as deemed necessary by the Board. These webcasts can be replayed at any time on the ARYZTA website ([www.aryzta.com](http://www.aryzta.com)). An automatic alerting service is also provided through the website. This ensures that interested parties can sign-up to be automatically alerted to results and events announcements published on the website. ARYZTA also ensures that news releases are distributed to major wire and news services. These news releases are also made available in the News & Media section of the website immediately after release to the SIX Swiss Exchange and ISE Irish Exchange ([www.aryzta.com/news-and-media.aspx](http://www.aryzta.com/news-and-media.aspx)). In this way, the Group utilises its website and ancillary communications infrastructure to ensure a rapid and equitable distribution of information for all interested parties.

ARYZTA's Investor Relations programme for institutional investors is carried out in line with the quarterly announcement cycle, with management time allocated accordingly and not on an ad-hoc basis. ARYZTA has appointed a dedicated communications officer to focus on the management of the communication process with investors and the media, and to support ARYZTA's efforts to strike a balance between the needs of managing a business and regular transparent communication with investors. ARYZTA's policy regarding investor meetings (i.e. Group meetings, one-to-one meetings and conference calls) is that these will not be held on an ad-hoc basis. These will be organised following quarterly announcements, save as mentioned below. Investors wishing to meet the Group subsequent to such quarterly announcements should e-mail the Group's Communications Officer (see details on page 45). These investor communications focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group. They do not serve the purpose of disclosing new information that might encourage an investment decision.

The Group accepts invitations to investor conferences. Attendance at conferences by the Group will be on a planned and agreed basis in advance of its quarterly announcement cycle. The Group also communicates with analysts and stockbrokers who follow ARYZTA to facilitate third-party research on the Group. ARYZTA assumes no responsibility for any statements, expectations, or recommendations made by analysts and stockbrokers. The Group will communicate to investors at the time of any potentially price-sensitive event, such as significant acquisitions and divestments, agreements and alliances using the methods outlined above.

## Corporate Governance Report (continued)

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### Investor relations contact details

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### Key dates to December 2015

|   |                   |
|---|-------------------|
| Announcement of the 2014 annual results | 29 September 2014 |
| Issue of the 2014 annual report         | 6 October 2014    |
| First-quarter trading update            | 2 December 2014   |
| Annual General Meeting 2014             | 2 December 2014   |
| Payment of dividend                     | 2 February 2015   |
| Announcement of half-year results 2015  | 16 March 2015     |
| Third-quarter trading update            | 2 June 2015       |
| Announcement of the 2015 annual results | 28 September 2015 |
| Issue of the 2015 annual report         | 5 October 2015    |
| First-quarter trading update            | 2 December 2015   |
| Annual General Meeting 2015             | 2 December 2015   |

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