

25 March 2019

**Concerning: Response to the report issued by proxy advisor, Institutional Shareholder Services ("ISS")**

Dear shareholder,

*ISS has recommended to vote against the proposal by the Board on resolution 5.3, i.e. the binding vote on the maximum aggregate amount of fixed remuneration of the Executive Committee (consisting of three members) in the amount of CHF 1 600 000. The Board respectfully disagrees with this recommendation for the following three reasons: (i) a competitive compensation is key for the ability to attract, motivate and retain the right talented employees globally for the continued success of ORIOR, (ii) we are in a broader and stronger strategic position today than just twelve months ago e.g. by the increase of the international operation and (iii) the increase of kCHF 100 compared to FY19 is triggered by the compensation for a new CFO of the ORIOR Group.*

The purpose of this letter is to set out the position of ORIOR AG ("**ORIOR**") in respect of the report issued by proxy advisor ISS on 20 March 2019 in advance of the upcoming ORIOR Annual General Meeting ("**AGM**").

All proposals by the Board of Directors ("**Board**") on the agenda items of the AGM have been carefully considered and taken in the best interests of the company and its shareholders.

ISS has recommended to vote FOR the proposals by the Board on all agenda items, except in respect of resolution 5.3, the binding vote on the maximum aggregate amount of fixed remuneration of the Executive Committee in the amount of CHF 1 600 000 because it represents a large potential increase in fixed pay and the company has not provided a compelling rationale. According to ISS, the proposal implies, on a per person basis, a potential increase of up to 26.1% compared to actual payments for FY18.

Given that ISS notes in its report that the ORIOR compensation system is generally in line with market practice in many respects, and ORIOR provides for an adequate disclosure on the company's policies and practices in relation to the remuneration of executives and directors, the Board respectfully disagrees with ISS' recommendation to vote AGAINST the resolution 5.3.

The Board respects all shareholder votes and is committed to continued engagement with shareholders to ensure a full understanding of diverse viewpoints. Before you cast your vote on Resolution 5.3, i.e. the binding vote on the maximum aggregate amount of fixed remuneration of the Executive Committee in the amount of CHF 1 600 000, please consider the following:

- In recent years, ORIOR Group has become increasingly international. In addition, ORIOR Group has grown e.g. due to the acquisition of Biotta. ORIOR intends to further grow until FY20 resulting in an expected increase in turnover. Against this background, we are in a broader and stronger strategic position today than just twelve months ago.
- The ability to attract, motivate and retain the right talented employees globally is key to the continued success of ORIOR. Along with our international orientation, ORIOR's success requires even more a strong culture of performance, a long-term orientation, and consistency of purpose among senior executives, all of which are reinforced by the design of our compensation program. The Board strongly believes that our Executive Committee compensation system reflects our need to offer competitive compensation packages compared to our direct competitors in the global food and beverage industry. Furthermore, the Board is convinced that the recruitment and compensation structure and level for the Executive Committee is in the best interests of delivering maximum shareholder returns.
- Based on the strategic outlook, we ask you to approve a maximum budget for fixed compensation to Executive Committee (consisting of three members) for FY20 of CHF 1 600 000 which is kCHF 100 higher compared to budget approved for FY19.
  - This increase is triggered by the compensation for a new CFO of the ORIOR Group and shall provide the Board with sufficient flexibility for hiring the most suitable candidate.
  - Without this increase of kCHF 100, the requested maximum total amount of fixed compensation for the Executive Committee would remain unchanged compared to the total approved amount for FY19 of CHF 1 500 000 (same number of executives). When compared to the total paid amount for FY18 of CHF 1 268 741, this would imply a potential maximum annual increase of average executive compensation of 8.7%.
  - In addition, since approved amounts refer to the maximum possible compensation level, paid compensation is typically lower. For example, in FY18, the paid fixed compensation reached 91% of total maximum approved amount.
  - ISS focuses exclusively on one aspect of the compensation system, i.e. the fixed remuneration, without consideration for any other compensation components (including variable compensation) which did not increase.

ORIOR is committed to the highest standards of corporate governance on all matters including compensation, transparency and disclosure. During the last years, we have taken steps to further strengthen our corporate governance in many respects. We continue to critically

review our compensation system each year to ensure it remains the most appropriate approach for ORIOR and our shareholders.

Against this background, we encourage you to consider the above arguments when reaching your voting decision. We will continuously endeavour to address any issues or suggestions shareholders may have regarding our compensation system. Engagement with our shareholders on governance and compensation is an important component and critical to our company long-term success. We are happy to speak with you on this or any related matters.

Yours respectfully,



Rolf U. Sutter  
Chairman of the Board of Directors

Please consider the comprehensive AGM information provided under <http://www.orior.ch/en/investor-relations/annual-general-meeting/>.