

## Corporate Governance Chairman's Corporate Governance Statement

As Chairman of the Board it is my responsibility to ensure that the Group has both effective corporate governance and Board leadership. The Group has decided to adopt the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') and this report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code in all respects.

### The Board

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves performance while reducing or mitigating risks.

Save for the resignation of Zoe Morgan as a Non-Executive Director during the year under review and the resultant change to chairmanship and composition of the Remuneration Committee, such role now undertaken by Marnie Millard, and composition of the Audit Committee there have been no significant changes to the Company's corporate governance arrangements during the past year.

### QCA Principles

#### 1. Establish a strategy and business model which promote long-term value for shareholders

The Group's vision is to be the UK's most innovative speciality bakery group, providing differentiation for our customers. Our business model, and the Finsbury 'recipe for growth' Operating Principles by which we manage our business, are shown in our Annual Report. Our strategy and markets are explained in detail in our Strategic Report in our Annual Report.

#### 2. Seek to understand and meet shareholder needs and expectations

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, [www.finsburyfoods.co.uk](http://www.finsburyfoods.co.uk) for both financial and general news relevant to shareholders. The Executive Directors meet shareholders and other investors/potential investors at regular intervals during the year and host broker and analyst meetings at operating sites from time to time.

The broker and NOMAD, Cenkos, is briefed regularly and updates the Board during the year on shareholder expectations.

The Annual General Meeting (AGM) is regarded as an opportunity to meet, listen and present to shareholders, and their participation is encouraged; all Directors attend the AGM and are available to meet shareholders individually or as a group. All 2018 AGM resolutions were passed comfortably.

#### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our continued success is built entirely on the talented people who work here, and employee engagement forms a major part of our Operating Principles. Everyone at Finsbury Food Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

Another key element of our recipe for growth is to work for mutual benefit with our partners, including retail grocery and foodservice customers, all of whom benefit from tailored innovation and service. Joint business plans are agreed, customers visit our sites on a regular basis to be involved in product development and business planning activities.

Our key strategic suppliers are long term in nature and work in partnership with the Group on innovations in both product and service. We believe an ethical supply chain is a sustainable one. Finsbury Food Group is a long-standing member of Sedex, an organisation for promoting improvement in responsible and ethical business practices in supply chains.

#### 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for a robust system of internal controls and risk management. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through the way in which the Group is controlled and managed internally. A formal review of these risks is carried out by the Group on an annual basis.

The review process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact and determination of what needs to be done to manage them effectively. Risk management is integral to the ability of the Group to deliver on its strategic objectives.

The system of internal control is structured around an assessment of the various risks to the business and is designed to address those risks that the Board considers to be material, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records which produce reliable financial and management information.

The key features of the Group's system of internal control are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks
- Management structure with clearly defined responsibilities and authority limits
- A comprehensive system of reporting financial results to the Board
- A rolling programme of internal audit activities carried out by group finance reporting to the Audit Committee
- Appraisal and authorisation of capital expenditure projects
- Dual signatories on all bank accounts

#### 5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is currently made of up two Executive Directors, the Chairman and three other independent Non-Executive Directors. During the year under review, Zoe Morgan also served on the Board as an independent Non-Executive Director.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He is also responsible for creating the right Board dynamic and for ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

A calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. Board papers are circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board dinners are held on the evening before meetings and allow broader discussion and development of effective Board relations. Meetings are open and constructive, with every Director participating fully. Meetings are held at operating sites on a rotating basis, enabling the Board to meet the senior site teams and to visit the factories.

The Board held five scheduled meetings during the year under review. Attendance by individual Directors at Board and scheduled Committee meetings was as follows:

Director	Board Meetings (5 meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (0 meetings)
John Duffy	5	-	2	-
Steve Boyd	5	3	2	-
Peter Baker	5	-	-	-
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	2	-
Marnie Millard	5	-	2	-
Zoe Morgan	4	1	2	-

The Company's Non-Executive Directors are expected to commit between 15-18 days per year to the Company and the Chairman is expected to commit at least three days per month to the Company. Terms of reference for the Committees are published on the Group's website. The Committees have the necessary skills and knowledge to discharge their duties effectively.

## **6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Non-Executive Directors have both the breadth and depth of skills and experience to fulfil their roles. With the Executive Team, the Board contains a broad range of relevant skills, experience and contacts which are deployed to the benefit of the Company. Details of the Directors' individual experience and areas of expertise are outlined in our Annual Report. The Nominations Committee is responsible for considering Board composition, including diversity issues and making appropriate recommendations. Diversity and gender balance will be taken into account in respect of any future Board appointments with the overriding objective of securing the right person for the role.

The Non-Executive Directors met during the year without executives present and maintain ongoing communications with executives between formal meetings.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The Audit Committee Chairman updates his technical and financial experience by attending workshops held by the major accounting firms.

The Remuneration Committee utilises specialist remuneration consultants to provide advice in relation to remuneration policy decisions and the Board utilises specialist pension advisers to provide advice in relation to Group pension arrangements.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

## **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board evaluation exercise is designed and led by the Company Secretary, working closely with the Chairman of the Board. Anonymous questionnaires are used to promote disclosures with the results being collated and returned to the Board for consideration and action where appropriate. The areas covered are structure and skills, operating effectiveness, operating efficiency, quality of information and ongoing development.

During the year under review, the Non-Executive Directors undertook a review of the performance of the Chairman. The Chairman also met on an ongoing basis with Executive Directors and the Non-Executive Directors to discuss their performance and any suggestions they have for improving the function of the Board. All reviews sought feedback from other Directors to ensure a balanced approach.

The 2018 Board evaluation exercise found that the Board and sub-committees were working well, but highlighted some areas for improvement including the need to develop succession planning and implement post investment reviews.

In respect of succession planning, the Company has, where possible, identified internal candidates as possible replacements for senior managers/site managers. In the event of a site manager leaving the Company in a situation where an internal candidate has not been identified or has been deemed not to have the requisite experience, the Company will seek to recruit externally. In respect of succession planning for Non-Executive Directors, the Board deemed that the current Board composition of two Executive Directors, the Chairman and three independent Non-Executive Directors to be sufficient following the resignation of Zoe Morgan from the Board during the year under review.

The 2019 Board evaluation exercise was completed in June 2019 with evaluation scores improving relative to the 2018 evaluation exercise. No particular areas for development were noted. Key areas of improvement included the level of interaction between the Non-Executives Directors and the Executive Directors and divisional managing Directors in terms of challenging, agreeing and finalising the Group's strategy.

## **8. Promote a corporate culture that is based on ethical values and behaviour**

As an innovative food business in a highly competitive market our success depends crucially on people who care and are fully engaged to do their best for Finsbury. The values of Communication, Respect, Ownership, Honesty and Teamwork are integral to the corporate culture. The management of the Group and all bakeries is underpinned by the Operating Principles which were agreed and rolled out in 2017/18. These are:

- Operating excellence
- Sustainable approach
- Quality and innovations
- Cost effectiveness
- Growth with our partners
- People who care

By visiting all sites during the year, the Board is able to talk to staff and observe behaviour in order to satisfy itself on the status of the culture.

The Group has rolled out Workplace by Facebook to facilitate promotion of the corporate culture and values, communication across the Group and sharing of ideas and best practice through all our sites and across all staff. Senior staff attend an annual conference which is again based on communicating and embedding our core values throughout the business. A survey of employee engagement is also carried out every two years to assess employee engagement with our corporate values and satisfaction with the Group and the employee experience.

## 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to high standards of corporate governance and has chosen to adopt the QCA Corporate Governance Code and to join the QCA. We review our corporate governance arrangements regularly and expect to evolve these over time.

The Board has reviewed the schedule of matters reserved for its decision during the year. These matters include:

- Strategy
- Acquisition policy
- Corporate governance
- Risk management
- Health and safety
- Approval of major capital expenditure
- Approval of annual budgets
- Approval of Annual Reports
- Dividend recommendations and policy

The Board delegates authority to three Committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

### Audit Committee

The Audit Committee had three members during the year under review but now has two members following the resignation of Zoe Morgan earlier in the year. These are Bob Beveridge (Chairman) and Ray Duignan. The Group Finance Director and external auditors attend meetings by invitation. The Audit Committee's responsibilities include the review of the scope, results and effectiveness of the external audit, the review of half-year and annual accounts, and the review of the Company's risk management and internal control systems. The Committee had three scheduled meetings three times during the year. A separate report of the Audit Committee activities is included in our Annual Report.

### Remuneration Committee

The report of the Remuneration Committee is included in our Annual Report. The Audit Committee had three members during the year under review but now has two members following the resignation of Zoe Morgan earlier in the year. They are Marnie Millard (Chairman) and Ray Duignan. The Committee is responsible for setting the remuneration arrangements, including short-term bonus and long-term incentives, for Executive Directors as well as approving, the remuneration principles for senior staff. The Committee had two scheduled meetings during the year.

### Nominations Committee

The Nominations Committee has two members, Peter Baker (Chairman) and Ray Duignan. The Nominations Committee considers succession planning, reviews the structure, size, skills, diversity and composition of the Board and nominates candidates to fill Board vacancies. Although the Committee met informally twice, no formal scheduled meetings of the Nominations Committee were considered necessary during the year under review.

### Group Executive Committee

In addition to the Board Committees, the Company has a Group Executive Committee comprising the CEO and a team of senior executives supporting him in the delivery of the strategy and running of the Company.

## 10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. In doing this, we keep in mind the proportions of direct, nominee and institutional shareholders, and distribute communications between them accordingly. The Company retains a financial PR firm to assist it in ensuring that key messages reach the appropriate audiences.

Specific methods of communication are:

- The Annual General Meeting
- The Annual Report
- Corporate website
- Broker briefings
- Broker and analyst visits to operating sites
- One-to-one meetings with investors

The Board believes its shareholder communications to be healthy, effective and appropriate bearing in mind the composition of its shareholder register. The Annual General Meeting provides a forum for shareholders to air their views, ask questions and talk to the Board inside and outside of the formal meeting. It is primarily attended by members of our retail shareholder base. Meetings throughout the year with key institutional shareholders (by the Executive and Non-Executive Board members) help to ensure that the Board is kept up to date with shareholder sentiment on key issues and is able to take it into account where necessary and appropriate. The Company has also sought to provide a comprehensive website to educate and inform all interested parties about the Company's business, strategy and values.

Shareholders with a specific query can contact us on [finsbury@almapr.co.uk](mailto:finsbury@almapr.co.uk) or for company secretarial matters on [company.secretary@finsburyfoods.co.uk](mailto:company.secretary@finsburyfoods.co.uk).

### Peter Baker

Chairman

13 September 2019