

Report on Corporate Governance

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 on pages 8 to 11. Our strategy and markets are explained in detail in our Strategic Report on pages 4 to 8.

The creation of our Strategic Plans (which are prepared on a rolling three-year basis) is an extensive process bringing together market intelligence, customer feedback, supply chain management, risk and financial and operational considerations. The Board is involved and updated through the development of the plan prior to formal approval along with the related budget.

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 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. The Company also hosts broker and analyst meetings from time to time. Historically these have been conducted on site at the Group's facilities. Whilst this was not possible during the year under review and communications were virtual, the Company intends to resume these on site activities and in person meetings where appropriate. The Non-Executive Directors are also in contact with shareholders as needed in relation to matters such as Executive remuneration.

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

The Board has reviewed its Annual General Meeting (AGM) arrangements in light of its experiences through the pandemic and considered how to improve the Board's visibility, accessibility and interaction with a broader range of its shareholder base. In summary, the Board has decided to include a retail focussed presentation (through Investor Meet Company) as part of its investor results roadshows and revise the format of the AGM. Please see Principle 10 below for our proposals in this regard.

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

The Board considers that it has operated in full regard of its responsibilities under section 172 of the 2016 Companies Act as outlined in the Strategic Report on pages 18 and 19. The Group's Purpose is widely understood and drives the decision making which aims to optimise the long-term value of the business.

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.

Clearly, the health and safety of our workforce is our most important consideration. As well as instituting operational measures to keep our people safe, we have also focussed on health and wellbeing to support our staff during the pandemic, recognising that the last year has been very challenging for many on a physical, emotional, and financial level. The management team has worked hard to build and maintain employee engagement through the pandemic which has been one of the key challenges. Again, the pandemic provided an opportunity to reimagine our employee engagement and the entire permanent workforce is now included on the Workplace platform where we can communicate virtually in topic or site teams or as a whole Group, share news, ideas, knowledge and best practice, support wellbeing initiatives, gain feedback and recognise and applaud the achievements and talents of our people in real time. This has been a highly beneficial development delivering multiple positive outcomes for the business. We believe this high level of engagement makes us a more attractive employer in a competitive marketplace for talent and we look forward to continuing to drive our employee engagement agenda.

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, and customers are increasingly returning to visit our sites where it is safe to do so, to be involved in product development and business planning activities. Over the year we have worked closely with our foodservice customers by becoming a bigger partner to those supplying the state sector and also continuing to work with them as we emerge from restrictions. We also supported our retail partners through this uncertain period ensuring continuity of supply and adapting our range of products to meet the changing consumer needs. I am pleased to say that as we supported our partners, they have supported us, with everyone involved recognising the scale of effort, cooperation and consideration necessary to keep feeding the nation during this unprecedented period. We consider being seen as a good business partner as critical to our long-term success.

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.

In many cases, our sites have been a significant local employer and community member for many years. We consider community acceptance to be an important element of our operating framework. Our businesses' local reputation can influence our ability to recruit and retain talent and create a mutually respectful operating environment. If we were to lose community support, this could manifest in various ways including planning objections and recruitment issues. We seek to retain the support of our local communities and support community initiatives by being a positive and considerate neighbour and supporting local initiatives by empowering each facility to choose one charity the employees want to support.

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 risk management and internal controls 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;
- GEC overview of the risk review process;
- Ongoing policy development, implementation and testing;
- Internal audit function reporting to the Audit Committee with a remit beyond financial controls and encompassing policy adherence;
- Maintenance of a central Group-wide key risk register supported by site and function specific registers;
- An operational Risk Steering Committee to consider all material risks and their management and mitigation on an ongoing basis;

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- Oversight of key risks by Audit Committee reporting back to the Board;
- Key risk item focussed reviews at Audit and where appropriate Board level;
- A comprehensive system of reporting financial results to the Board;
- A Group-wide ERP system (M3) with related applications that embeds processes and procedures implemented to control risk;
- A rolling programme of internal audit activities carried out by Group finance reporting to the Audit Committee;
- Appraisal and authorisation of capital expenditure projects; and
- Dual signatories on all bank accounts.

Since the year end, the business has appointed a Group Health, Safety, Environment and Risk Director, a promotion from within. The GHSER Director is a member of the Group Executive Committee and reports to the Group Efficiency Director and indirectly to the Chief Executive ensuring his remit has an appropriate high profile, with the resource and authority to drive the risk management agenda. The GHSER Director has been working in the business for the last four years developing the non-financial risk function, a key role during the pandemic, and has worked closely with the Audit Committee and GEC throughout that time. This appointment represents a further step in the Group's risk identification, understanding, management and mitigation processes and reflects the priority status accorded to it.

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

The Board is currently made up of two Executive Directors, the Chairman and three other independent Non-Executive Directors.

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 one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board meetings are open and constructive, with every Director participating fully. Historically, meetings are held at operating sites on a rotating basis, enabling the Board to meet the senior site teams and to visit the bakeries. Pre-meetings and Board dinners were also historically held to enable broader discussion and development of effective Board relations. While these activities were not possible during the year under review, the Board has now returned to this model.

The Board held five scheduled meetings during the year under review, all of which were held online, due to the impact of Covid-19. Additional Board meetings are held throughout the year as required on an ad hoc basis. 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 (1 meeting)
John Duffy	5	-	-	-
Steve Boyd	5	-	-	-
Peter Baker	5	-	-	1
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	2	1
Marnie Millard	5	-	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 on pages 45 and 46. 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 maintain ongoing communications with each other and 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. The Remuneration Committee Chair also attends relevant sessions run by the remuneration consultants and others.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed. 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.

The Company is a member of the QCA and all Directors have access to the QCA's publications, updates and events.

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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, discussion and action where appropriate. The areas covered are structure and skills, operating effectiveness, operating efficiency, quality of information and ongoing development.

A similar process is followed for the Audit and Remuneration Committees. During the year under review, individual Director and Chairman reviews were not undertaken with the Board preferring to wait for an opportunity for face-to-face meetings. These have now been completed. All reviews sought feedback from other Directors to ensure a balanced approach. Where relevant, Board performance improvements are discussed through the year on an ad hoc basis.

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.

The 2021 Board evaluation exercise was completed in June 2021. The average scores were all satisfactory, with the vast majority rated consistently good or excellent. It was noted that the pandemic had impacted information flow to a minor degree and the Nominations Committee was advised to increase the formality of its operations. Views on performance of the Board during the pandemic were specifically sought, with an average score of 4.5 out of 5.

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 are:

- Operating Excellence;
- Sustainable Approach;
- Quality and Innovations;
- Cost Effectiveness;
- Growth with Our Partners; and
- People Who Care.

Further information on our Operating Principles is set out on pages 9 to 11, 20 to 25, 28 to 29, 34 to 35, 38 to 39 and on our website.

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. "Shining Example" awards allow staff to nominate their colleagues for excellence in reflecting Finsbury values. Senior staff attend an annual conference which is again based on communicating and embedding our core values throughout the business. This was successfully hosted as a virtual conference through Workplace in the year under review.

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

The Board reviews its 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, a full copy of which is available on the corporate governance page of the Company's website. 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; and
- 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 has two members, Bob Beveridge (Chairman) and Ray Duignan. The Group Finance Director, other members of the finance team and Internal Audit function 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 during the year. A separate report of the Audit Committee activities is outlined on pages 52 and 53.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 54 to 58. The Remuneration Committee has two members, 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.

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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. The Committee met once 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 with investors are:

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

During the year under review we released an additional trading update in May outside of our normal reporting cycle, to ensure appropriate visibility of performance for shareholders and the wider investment community during an uncertain time.

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 and ask questions. Meetings throughout the year with key institutional shareholders (by the Executive and Non-Executive Board members) and feedback from the Company's broker 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. The Company has refreshed its website during the year to ensure improved user experience and enhanced information provision to stakeholders.

The Company has viewed its Annual General Meetings (AGM) as an opportunity to meet, listen and present to shareholders. Due to the pandemic, the 2020 AGM was held as a closed meeting and shareholders were encouraged to vote by proxy. Shareholders were able to view (but not participate in) the AGM (which included a presentation on the business) via webcast and were invited to submit questions in advance which the Board would address at the AGM. Ultimately no questions were submitted.

The Board has reflected on the AGM arrangements since then and has concluded that its traditional AGM arrangements do not maximise the opportunities for shareholder engagement. To increase our visibility and accessibility to a broader range of our shareholder base, we will be running an Investor Meet Company presentation as part of our full year and interim results roadshows. Further details will be provided by RNS. This will enable any interested shareholders to join the roadshows and submit questions to the management. The AGM this year will take place in Cardiff and be broadcast via webcast to enable shareholders to view proceedings remotely. As in other years, there will be a presentation on the business and the Company's performance. Shareholders will be encouraged to vote by proxy whether or not they intend to be present. We are also conscious that our AGM is held in the winter months. Accordingly, while shareholders will (under the current rules) be able to attend in person, we are mindful that our AGM coincides with the possibility of increased risk from Covid-19 and other respiratory illnesses. With this in mind, to minimise risk to attendees we will not be providing goodie bags this year and there will not be any informal mingling with the Board before or after the AGM. Masks and social distancing may also be required depending on the prevailing conditions and guidance at the time. We would ask shareholders to refrain from attending if they are experiencing any Covid-19 symptoms or have been asked to isolate. Full details of the AGM arrangements will be set out in the Notice of Annual General Meeting.

Shareholders with a specific query can contact us on finsbury@almapr.co.uk or for Company secretarial matters on company.secretary@finsburyfoods.co.uk.

Peter Baker

Chairman
17 September 2021