

Directors' Remuneration Report (unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report as Chair of the Remuneration Committee of Finsbury Food Group for the year ended 26 June 2021.

A copy of our Directors' Remuneration Policy (the "Policy") which has been applied since 2017-18 is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance. During the year the Committee reviewed the Policy and concluded that it continues to be aligned with our business and talent strategy and the long-term interests of our shareholders. The Committee noted that the existing malus and clawback provisions in the LTIP are in line with market practice for an AIM listed company. The Committee also noted the significant shareholding held by the Executive Directors and their immediate families. No changes are therefore being made to the Policy.

The Annual Report on Remuneration which is on pages 56 to 58 provides details of the amounts earned in respect of the year ended 26 June 2021.

Similar to previous years and as a matter of best practice, the Annual Report on Remuneration has been prepared taking into account the remuneration reporting regulations applicable to fully listed companies in the UK.

Remuneration in Context

Despite the uncertain operating environment and challenging economic backdrop, as outlined below, we finished the year with revenues at almost pre-pandemic levels. The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance with a significant strengthening of the Group's net bank debt position by year end to £13.1 million, a reduction of £8.4 million from 26 December 2020.

This strong performance is a testament to the strength of the leadership team and the hard work and commitment by all our colleagues throughout a sustained period of challenge. We would like to thank everyone for that commitment which they have demonstrated throughout the last 18 months.

Our approach of balancing the experience of employees, shareholders and other stakeholders has continued, with the resumption of dividend payments for the financial year ending 26 June 2021 and investing in our colleagues. After no base pay increases or bonuses in 2020, in June 2021, the Board awarded staff a thank you payment of £200 in appreciation of everyone's contribution through the year.

Review of the 2020-2021 Financial Year and Remuneration Outcome

The first half of the year was heavily impacted by the initial pandemic lockdown. The disruption continued to a lesser extent in the second half with disruption particularly within foodservice. Overall, the strong performance resulted in revenues for the year increasing 2.3% to £313.3 million (2020: £306.3 million), which is almost at pre-pandemic levels (FY19: £315.3 million). This translated to an increase in adjusted operating profit to £16.1 million, up £1.2 million versus the prior year.

As detailed in the Remuneration Report last year, to mitigate cash outflows at the outset of the pandemic the Board elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. No base salary increases were awarded to John Duffy, our CEO, or Stephen Boyd, Group Finance Director for the 2020-2021 Financial Year.

As set out on page 57, based on adjusted EBITDA performance of £26.9 million, the Executive Directors earned a bonus of 100% of salary for 2020-2021. 50% of the bonus earned will be paid in cash and the balance is paid in the form of shares. This is the first bonus payment to the Executive Directors for four years and reflects the outstanding leadership of the Executive Directors under challenging circumstances, resulting in year-on-year revenue growth and a total sales figure almost at pre-pandemic levels. We congratulate the management team on such a strong performance and believe the full award of the incentive is well deserved.

The LTIP awards granted on 2 January 2019 were based on the three-year performance period ending on 26 June 2021. Notwithstanding the strong performance delivered in the year, these LTIP awards have now lapsed. EPS (50% of the total award) as at 26 June 2021 was 8.60p which was below the threshold EPS target of 11.50p; and relative Total Shareholder Return ("TSR") performance (50% of the total award) was below the threshold target of being ranked at median against the FTSE Small Cap (excluding investment).

The Committee awarded nil-cost share options as Performance Share Plan ("PSP") awards under the LTIP to Executive Directors (and participants including senior management) during the year. The number of shares awarded to each Executive Director was equivalent to 100% of salary based on the average price of the shares over the three business days immediately prior to the end of the Company's financial year ended 27 June 2020.

These awards and the respective conditions are detailed on page 58.

Directors' Remuneration Report (unaudited)/Continued

Remuneration in Respect of the 2021-2022 Financial Year

Salary and Fees

The next review of Executive Directors' salary will be undertaken in September 2021. It is intended that the Executive Directors' salaries will increase in line with the general increases applied to the wider workforce.

The next review of the Chairman and Non-Executive Directors' fees will be undertaken in September 2021. This is the first review of the Non-Executive Directors' fees in six years. In addition, the Non-Executive Directors were keen to support the organisation through the pandemic which saw a reduction of the fees alongside the executive team.

Annual Bonus

No changes are proposed to the bonus opportunity. The maximum bonus opportunity for the Executive Directors will be up to 100% of salary. The annual bonus will continue to be based on adjusted EBITDA performance as the Committee considers this to be the most appropriate short-term measure for assessing Executive Directors' performance. At year end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience. Details of the performance targets for the 2021-2022 bonus will be reported in the 2022 Annual Report.

LTIP

Awards under the LTIP will be made following the announcement of our results. The maximum opportunity for the Executive Directors will be 100% of salary. The LTIP awards will be subject to EPS and relative TSR performance conditions. The targets will be disclosed in the Remuneration Report next year.

Marnie Millard

Chairman, Remuneration Committee
17 September 2021

Directors' Remuneration Report (unaudited)/Continued

The full Policy can be viewed in the investor section of the website at www.finsburyfoods.co.uk/investor-relations/corporate-governance.

The main aim of the Company's Policy is to align the interests of Executive Directors with the Company's strategic vision and the long-term creation of shareholder value. The Company aims to provide returns to shareholders through both organic and acquisitive growth. The Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of this and allows them to share in this success and the value delivered to shareholders. The Policy is based on a broad set of remuneration principles:

- Promote shareholder value creation;
- Support the business strategy;
- Promote sound risk management;
- Ensure that the interests of the Directors are aligned with the long-term interests of shareholders;
- Deliver a competitive level of pay for the Directors without paying more than is necessary to recruit and retain individuals;
- Ensure that the Executive Directors are rewarded for the contribution to the success of the Group and share in the success delivered to shareholders; and
- Motivate the Directors to deliver enhanced sustainable performance.

Unaudited Annual Report on Remuneration

Single Total Figure of Remuneration

The tables below detail the total remuneration earned by each Director in respect of the financial years ended 26 June 2021 and 27 June 2020:

2021	Salaries/ fees €000	Taxable benefits €000	Annual bonus shares €000	Annual bonus cash €000	LTIP ¹ €000	Total remuneration €000
Executive Directors						
J G Duffy	428	12	214	214	-	868
S A Boyd	300	12	150	150	-	612
	728	24	364	364	-	1,480
Non-Executive Directors						
P Baker	85	-	-	-	-	85
R Beveridge	55	-	-	-	-	55
R P E Duignan	58	-	-	-	-	58
M J Millard	55	-	-	-	-	55
	253	-	-	-	-	253
	981	24	364	364	-	1,733
2020						
	Salaries/ fees €000	Taxable benefits €000	Annual bonus €000	LTIP ¹ €000	Total remuneration €000	
Executive Directors						
J G Duffy		394	12	-	-	406
S A Boyd		274	12	-	-	286
		668	24	-	-	692
Non-Executive Directors						
P Baker		79	-	-	-	79
R Beveridge		51	-	-	-	51
R P E Duignan		53	-	-	-	53
M J Millard		51	-	-	-	51
		234	-	-	-	234
		902	24	-	-	926

To mitigate cash outflows at the outset of the pandemic the Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during this period. This reduction is reflected in the Executive Director and Non-Executive Director base salaries and fees in the table above.

¹ No long-term incentive awards vested with respect to a performance period ending during the year to 26 June 2021 or with respect to a performance period ending during the year to 27 June 2020.

Directors' Remuneration Report (unaudited)/Continued

Notes to the Table

Base Salaries

The base salaries for the Executive Directors are set with effect from 1 October each year. The salaries in the financial years ended 27 June 2020 and 26 June 2021 were as follows:

Executive Directors	From 1 October 2021	From 1 October 2020	Percentage increase
J G Duffy	£427,980	£427,980	nil
S A Boyd	£299,790	£299,790	nil

As outlined in the single figure table on page 56, the Executive Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during the year to 27 June 2020. This reduction is not reflected in the base salaries in the table above.

Taxable Benefits

The taxable benefits for the Executive Directors in the year included a car allowance and private medical insurance. The Executive Directors do not receive a pension allowance.

Annual Bonus

The annual bonus is the total value of the bonus earned in respect of the financial year (including the amount delivered in shares). For the financial year ended 26 June 2021, Executive Directors were able to earn a bonus of up to 100% of annual base salary subject to the achievement of stretching EBITDA performance targets. Based on adjusted EBITDA performance of £26.9 million, the threshold adjusted EBITDA target has been achieved. Thus, the Executive Directors earned a bonus for 2020-2021.

The following table sets out the bonus pay-out to the Executive Directors for 2020-21 and how this reflects EBITDA performance for the year.

Performance measure	Actual performance	Resulting level of award for each Executive as a percentage of salary	Bonus to be paid
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EBITDA £26,900,000	100% of salary	50% of the bonus earned will be paid in cash and the balance is paid in the form of shares.

Long-Term Incentives

Awards granted on 21 January 2019 were based on performance over the three financial years to 26 June 2021 and vested as to the amounts set out below. These awards are subject to a two-year holding period.

	Performance conditions	Actual performance	% of this element vesting	% of award
50% of the award subject to adjusted diluted Earnings Per Share in the final year of the performance period	Adjusted diluted EPS			
	Below 11.50p		0	
	At 11.50p	8.6pps	25%	nil
	Between 11.50p and 13.00p		Straight-line vesting to 100%	nil
50% of the award based upon Relative Total Shareholder Return against the FTSE Small Cap (excluding investment trusts) ("TSR") over the performance period	Relative TSR ranking			
	Below median		0	
	Median	Below median	25%	nil
	Between median and upper quartile		Straight-line vesting	nil
	Upper quartile		100%	nil
Total % of award vesting				nil

In arriving at the adjusted EPS out-turn of 8.6p, the Committee has excluded the significant and non-recurring costs relating to restructuring and impairments.

	Number of shares granted	Number of shares vesting	Value of LTIP shares vesting
J G Duffy	344,262	nil	nil
S A Boyd	241,147	nil	nil

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees for 2020-21 are as set out below:

Chairman fee	Non-Executive Director fee	Chairman of the Remuneration Committee	Member of the Remuneration Committee	Chairman of the Audit Committee	Member of the Audit Committee
£85,000	£50,000	£5,000	£2,500	£5,000	£2,500

Directors' Remuneration Report (unaudited)/Continued

Payments for Loss of Office Made During the Year

No payments for loss of office were made in the year to any Director of the Company.

Statement of Directors' Shareholding and Share Interests

The interests of the Directors and their immediate families in the Company's ordinary shares as at 26 June 2021 and 27 June 2020 were as follows:

	26 June 2021	27 June 2020
Executive Directors		
J G Duffy	2,617,592	2,443,679
S A Boyd	1,195,543	1,095,543
Non-Executive Directors		
P Baker	96,817	96,817
R Beveridge	14,000	14,000
R P E Duignan	-	-
M J Millard	9,366	9,366

The wives of J G Duffy and S A Boyd both purchased shares in the market during the year. The current personal shareholdings of J G Duffy and S A Boyd and their immediate families equate to circa 5.5 and 3.6 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 26 June 2021 and the date these accounts were signed on 17 September 2021.

The interests of each Executive Director of the Company as at 26 June 2021 and 27 June 2020 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options at 27 June 2020	Granted	Exercised	Lapsed	Number of options at 26 June 2021
J G Duffy	04/12/2015	655,614	-	-	-	655,614
J G Duffy	21/01/2019	344,262	-	-	(344,262)	-
J G Duffy	28/10/2019	1,174,090	-	-	-	1,174,090
J G Duffy	22/10/2020	-	705,888	-	-	705,888
S A Boyd	04/12/2015	476,364	-	-	-	476,364
S A Boyd	21/01/2019	241,147	-	-	(241,147)	-
S A Boyd	28/10/2019	833,380	-	-	-	833,380
S A Boyd	22/10/2020	-	494,458	-	-	494,458
		3,724,857	1,200,346	-	(585,409)	4,339,794

Details of the LTIP awards granted on 22 October 2020 are given in the table below:

	Number of shares	Basis of award*	Performance/vesting period	Performance conditions
J G Duffy	705,888	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2020	50% subject to EPS growth and 50% subject to relative TSR (further details below).
S A Boyd	494,458	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2020	50% subject to EPS growth and 50% subject to relative TSR (further details below).

The value of the shares subject to each PSP Award was calculated using the average price of the shares over the three business days immediately prior to the end of the Company's financial year ended 27 June 2020.

PSP awards will be subject to a further two-year holding period following the end of the performance period.

PSP vesting of 50% of the award will normally be based upon the amount of the adjusted diluted Earnings Per Share (EPS) delivered in the final Financial Year of the three-year performance period beginning with the start of the Company's 2021 Financial Year. Below the threshold vesting target of 7.60p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 7.60p with 100% vesting at 8.80p and vesting determined on a straight-line basis between these figures. This is subject to the Committee's discretion to adjust vesting levels and/or substitute such condition with EBITDA target ranges if it considers that such condition is no longer a fair and appropriate measure of the Company's financial performance during the performance period, taking into account factors such as the Company's EBITDA performance relative to the wider market.

PSP vesting of 50% of the award will be based upon Relative TSR against the FTSE Small Cap (excluding investment trusts) over the performance period. At below median relative TSR ranking, none of this component of the award will vest. 25% of this component will vest at median ranking, with 100% vesting at upper quartile or above ranking, and vesting determined on a straight-line basis between these points.

Approval

This report was approved by the Board on 17 September 2021 and signed on its behalf by:

Marnie Millard

Chairman, Remuneration Committee
17 September 2021