

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 15 to 16. Our strategy and markets are explained in detail in our Strategic Report on pages 2 to 41.

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 process is refined and enhanced year on year and the Board is formally updated and consulted at key stages in the process prior to presentation of the strategic plan for 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 investor roadshows following the release of the Company's interim and final results. During the Covid-19 pandemic, to assist engagement with its smaller and retail shareholder base, the Company instigated "open house" results roadshow presentations through the Investor Meet Company platform (www.investormeetcompany.com) which all shareholders and interested parties were welcome to attend. The Company intends to continue with these roadshows for the foreseeable future. Questions and comments can be submitted through the platform. 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 Annual General Meeting of the Company will once again be held in Cardiff and will be broadcast live (on the Investor Meet Company platform). The Board will be present, and shareholders will have an opportunity to submit questions in advance or raise them on the floor on the day.

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 Companies Act 2006 as outlined in the Strategic Report on pages 24 to 25. 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 owed to 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 have a formal Equality, Diversity and Inclusion policy and offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

The Workplace platform continues to be a key part of the Group's Employee Engagement strategy where we communicate virtually on a Group basis or on particular topics with the appropriate teams. We can 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 continues to be a highly beneficial tool, delivering multiple positive outcomes for the business. We conducted an Employee Engagement survey via Workplace in February 2022 following which we have shared the results with all colleagues. Sites and teams have reviewed their local results and are using this insight to collaboratively build plans to drive engagement further through the coming year.

The Group is focused on ensuring Finsbury remains an attractive place to work, and this year we have reviewed our offering to ensure that we remain competitive in wage terms, but also in a broader sense of providing a positive and ethical working culture. In addition to our focus on competitive pay across all employee levels, we have enhanced our offer around maternity/paternity/adoption leave policies and introduced a hybrid working policy. We also continue to ensure that we offer excellent opportunities for enhanced training and qualifications, and career progression.

Clearly, the health and safety of our workforce is our most important consideration. As well as ensuring operational measures to keep our people safe, we have continued our focus on team health and wellbeing, through a series of initiatives at site and Group levels. We now have trained mental health first aiders at all sites and a dedicated Health and Wellbeing group on Workplace with over 2,000 members which provides a platform for sharing inspiration, information and practical resources around mental, physical and financial health and wellbeing.

We believe our high level of team 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. We consider being seen as a good business partner as critical to our long-term success. Inevitably, we have had to institute cost recovery strategies in response to the inflationary environment, but have been working closely with our customers to manage this process in a fair and transparent way.

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 line with our Sustainable Approach Operating Principle, we are focused on minimising our environmental impacts through minimising wastes of all kinds via our Operating Brilliance Programme, increasing energy and water efficiency and recycling. These topics are included within our business MARA (Meeting, Analysis and Reporting Arrangement) which ensures constant review and improvement. We have appointed a Group Energy and Sustainability Manager to help drive this agenda in a consistent way across the business and in line with our Environmental Management and Sustainability policy. More information on our work in this area is set out on pages 32 to 33.

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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.

During the year, the business appointed a Group Health, Safety, Environment and Risk Director. The GHSER Director is a member of the Group Executive Committee and reports to the Group Efficiency Improvement 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 five years developing the non-financial risk function, a key role during these uncertain times, and he has worked closely with the Audit Committee and Group Executive Committee (GEC) throughout that time. This appointment represented a further step in the Group's risk identification, understanding, management and mitigation processes and reflects the priority status accorded to it.

The Group Risk Process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business, the potential severity of the impact and determination of what needs to be done to manage them effectively. Risk management is integral to the development of Group strategic plans and its ability 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:

- Management structure with clearly defined responsibilities and authority limits;
- Comprehensive Delegated Authority policy;
- Group Risk Owners' Committee comprising subject matter experts from all key functions of the Group which enables peer review of individual risk owners' identification, mitigation and control measures and the strength of these controls and drives focus on risk mitigation strategies from a wider perspective;
- Group Risk Steering Committee comprising of CEO, Group Finance Director and members of the Group Executive Committee who oversee the risk identification process and challenge findings from the Group Risk Owners' Committee to ensure that the process remains robust and continually improves;
- Maintenance of a central Group-wide key risk register supported by site and function-specific registers;
- Risk simulation exercises such as cyber security testing;
- Development of business continuity plans to reroute certain product lines in the event of a line interruption through the use of specialised technology such as Optimity;
- Ongoing policy development, implementation and testing;
- A Group-wide ERP system (M3) with related applications that embeds processes and procedures implemented to control risk;
- Internal audit function reporting to the Audit Committee with a rolling programme of work and a remit beyond financial controls, encompassing policy adherence;
- A comprehensive system of reporting financial results to the Board;
- Key risk item focused reviews at Audit Committee, and where appropriate, Board level; and
- Oversight of key risks by the Audit Committee reporting back to the Board.

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. Ray Duignan has served on the Board for nine years and accordingly, the Board undertook a formal review of Ray's status as an independent Non-Executive Director and concluded that he remains independent. This will be reassessed by the Board on an annual basis at least and Ray will be subject to annual re-election at the Annual General Meeting.

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, contributing their knowledge and insights, 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. Meetings are held at operating sites on a rotating basis, enabling the Board to meet the site teams and to visit the bakeries. Pre-meetings and Board dinners are also held to enable broader discussion and development of effective Board relations, and the opportunity for the Non-Executive Directors to further develop relationships with site management and functional leads.

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The Board held five scheduled meetings during the year under review. 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 were as follows:

Director	Board Meetings (5 meetings)	Audit Committee (3 meetings)	Remuneration Committee (5 meetings)	Nominations Committee (3 meetings)
John Duffy	5	-	-	-
Steve Boyd	5	-	-	-
Peter Baker	5	-	-	3
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	5	3
Marnie Millard	5	-	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. During the year, the Nominations Committee conducted a skills analysis of the Board to assist it with future appointments. Details of the Directors' individual experience and areas of expertise are outlined on pages 48 and 49.

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 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.

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 and meeting effectiveness, operating efficiency, quality of information and ongoing development.

A similar process is followed for the Audit and Remuneration Committees. Individual Director and Chairman reviews have been undertaken since the start of the financial year. All reviews sought feedback from other Directors to ensure a balanced approach. Where relevant, Board performance improvements are discussed throughout the year on an ad hoc basis.

The 2022 Board evaluation exercise was completed in June 2022. The average scores were all satisfactory, with the vast majority rated consistently good or excellent. Given the speed of external changes there was a feeling the Board could have usefully convened outside of the normal meeting routine to discuss particular matters, this will be discussed at a subsequent Board meeting. Following feedback from the 2021 evaluation exercise, the Nominations Committee has increased the formality of its operations with three formal meetings held during the year focusing on succession issues, skills mapping and diversity.

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 15 to 16 and on our website.

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In addition to in-person communication and training, the Group uses Workplace to facilitate the promotion of the Group's 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.

The Group hosts an annual conference which also seeks to promote the Group culture and values. Having enjoyed a successful online experience with the senior team through Workplace during the pandemic, the conference was again broadcast live online and recorded in October 2021, this time open to all permanent team members. This allowed teams to join live or catch up with presentations on demand. Feedback from attendees was very positive with open access being appreciated in particular. Accordingly, the Company intends to maintain the open access element to ensure maximum participation opportunities and take advantage of this key engagement opportunity. "Shining Example" winners from the previous year will be invited to join the conference live to further increase recognition and engagement from the team member population.

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 expects these to evolve over time.

The Board maintains a schedule of matters reserved for its decision, 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, the 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 Financial Statements, 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's activities is outlined on pages 56 and 57.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 58 to 62. 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 five scheduled meetings during the year.

Nominations Committee

The Nominations Committee has three members, Peter Baker (Chairman), Marnie Millard 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 three times during the year under review, primarily to consider succession issues. Marnie Millard will assume the Chair of the Nominations Committee after the next Annual General Meeting.

M&A Committee

Peter Baker, John Duffy, Steve Boyd and Ray Duignan form the Board's M&A Committee and are responsible for the initial evaluation of potential M&A opportunities. This Committee is convened by the Chair and CEO on an ad hoc basis from time to time as necessary or desirable to respond to opportunities arising. The Committee is under the direction of, and reports to, the Board which is responsible for making any decisions concerning M&A.

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.

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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;
- One-to-one meetings with investors; and
- Investor Meet Company online roadshow presentations.

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), Investor Meet Company roadshow meetings 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.

To maintain our visibility and accessibility to a broader range of our shareholder base, we will continue to run 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 again take place in Cardiff and be broadcast via webcast to enable shareholders to view proceedings remotely. Shareholders will be encouraged to vote by proxy whether or not they intend to be present. We are conscious that our AGM is held in the winter months with the possibility of increased risk from Covid-19 and other respiratory illnesses. Accordingly, while shareholders will (under current guidance) be able to attend in person, to minimise risk to attendees we will not be providing product samples and there will not be any informal mingling with the Board before or after the AGM. We would ask shareholders to refrain from attending if they are experiencing any Covid-19 symptoms. 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

Non-Executive Chairman
23 September 2022