

Directors' Remuneration Report (unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report of Finsbury Food Group Plc (the "Company") for the year ended 2 July 2022 ("FY22") ("Report"). The Remuneration Report follows on pages 60 to 62 and provides details of the earnings of the Directors of the Company during FY22.

As with 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 Policy

A copy of the Company's Directors' Remuneration Policy (the "Remuneration Policy") is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance. The Remuneration Policy has been applied since the 2017/18 financial year.

Remuneration in Context

Despite the ongoing pressures and inflationary headwinds that are set to persist, we have a successful track record of navigating challenging market conditions. We believe the steps already taken to optimise the business to date, stands us in good stead. We have been able to mitigate the impact of these pressures through commercial negotiation and operational improvements.

With the recovery in foodservice, steady sales in retail and a strong overseas performance, and including the benefits of the decisive mitigation actions taken in the first half of the year, we are pleased to have been able to deliver a record revenue performance of £356.8 million, up 13.9% against revenue for the year to 26 June 2021 ("FY21"). The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance and the Group's net bank debt position at year end was £20.6 million (FY21: £13.1 million). The increase in debt of £7.5 million reflects our investment in European growth through the acquisition of a further 35% shareholding in our French subsidiary £6.1 million, and the reinstatement of the FY21 final dividend and the interim dividend paid during FY22 with a cash outlay of £4.0 million.

This strong performance is 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.

Review of FY22 and Remuneration Outcome

Following the voluntary 30% salary/fees reductions taken by the Directors between 1 April 2020 and 20 June 2020 and no salary/fee increases in FY21, the following remuneration measures were implemented during FY22:

- The Executive Directors received a base salary increase of 2% with effect from 1 October 2022 in line with the average increase for the wider workforce;
- We have increased pay rates for the team member population across all manufacturing sites in order to remain competitive and ensure we are able to attract and maintain a skilled and stable workforce. In certain locations where labour shortages have been more acute, the increases have been higher than current inflationary levels; and
- The first review of the Non-Executive Directors' fees in six years was carried out in September 2021. As a result, the Chairman's fee was increased from £85,000 to £100,000 per annum with effect from 1 October 2021. No changes were made to the other Non-Executive Director fees.

The achievement of a record revenue performance in the face of exceptional negative macroeconomic and inflationary headwinds is a demonstration of Finsbury's resilience and strategic focus, and the quality and commitment of its management team. The Group delivered a particularly strong second-half performance with revenue up 18.7% against H2 FY21, 10.0% of which was attributable to volume growth. This resulted to an increase in adjusted operating profit for FY22 of £17.8 million, up £1.7 million (10.6%) against FY21.

As set out on page 61, based on an adjusted full-year EBITDA performance of £28.7 million, the Executive Directors earned a bonus of 100% of salary for FY22. 50% of the bonus will be paid in cash and 50% in shares. The Committee considers that this bonus outturn to the Executive Directors fairly reflects and rewards their outstanding leadership during an exceptionally challenging period coupled with the delivery of record revenue performance and profit growth. We congratulate the management team on such a strong performance and believe the full award of the incentive is well deserved.

The Performance Share Plan (PSP) awards granted on 28 October 2019 were based on the three-year performance period ending on 2 July 2022, with 50% of the award based on earnings per share (EPS) and 50% of the award based on Total Shareholder Return (TSR) measured against the FTSE Small Cap comparator group. EPS as at 2 July 2022 was 10.1p which was between the threshold and maximum EPS target disclosed on page 61, therefore 73.42% of EPS element has vested. TSR performance was between the median and upper quartile against the comparator group and therefore 48.08% of the TSR element has vested. The shares awarded as a result of the PSP awards vesting are subject to a two-year holding period commencing on 3 July 2022.

The Restricted Stock Awards (RSA) granted on 28 October 2019 to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team, will vest on 28 October 2022 subject to continued employment. The RSAs are not subject to a holding period.

The Committee awarded nil-cost share options as PSP awards under the LTIP to Executive Directors (and participants including senior management) during FY22. The number of options 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 FY21.

These awards and the respective conditions are detailed on page 61.

Directors' Remuneration Report (unaudited)/Continued

Remuneration in Respect of the 2022-2023 Financial Year

Salary and Fees

A review of the Executive Directors' salary and the Chairman and Non-Executive Directors' fees was undertaken by the Committee in September 2022. It was determined that the Executive Directors' salaries will increase by 5.4% in line with the general increases applied to the wider workforce. There will be no increase for the Chairman or Non-Executive Directors.

Annual Bonus

No changes are proposed to the bonus opportunity for FY23. The maximum bonus opportunity for the Executive Directors remains 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 FY23 bonus will be reported in the FY23 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 Committee is reviewing the performance conditions and targets for the LTIP awards. The performance conditions and targets will be disclosed in the Remuneration Report next year.

Independent Advice

During the year, the Remuneration Committee retained the services of Deloitte LLP to provide advice and support to the Committee relating to Director remuneration and incentivisation, and in particular to enable the Committee to consider its options for incentivisation and reward in the context of the unusual macroeconomic climate, to understand developing market practices and the views of the investor community and how they might relate to the Company. Deloitte's fees for providing this service during FY22 were £9,000.

Marnie Millard

Chairman of the Remuneration Committee
23 September 2022

Directors' Remuneration Report (unaudited)/Continued

Remuneration Policy

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

The main aim of the Remuneration 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 Remuneration Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of these objectives, and allows them to share in this success and the value delivered to shareholders. The Remuneration 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 FY21 and FY22. Explanatory notes are set out below.

FY22	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP* £000	Total remuneration £000
Executive Directors						
J G Duffy	434	11	217	217	270	1,149
S A Boyd	304	11	152	152	189	808
	738	22	369	369	459	1,957
Non-Executive Directors						
P Baker	96	-	-	-	-	96
R Beveridge	55	-	-	-	-	55
R P E Duignan	58	-	-	-	-	58
M J Millard	56	-	-	-	-	56
	265	-	-	-	-	265
	1,003	22	369	369	459	2,222

FY21	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP* £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

* The Performance Share Plan ("PSP") awards granted on 28 October 2019 vested at 60.54% (see page 61 for further details) with respect to the performance period ending 2 July 2022. The value attributed to these vested awards in the table above is based on the three-month average share price to 2 July 2022 (71.09p). These awards are subject to a two-year holding period commencing on 3 July 2022. No long-term incentive awards vested with respect to a performance period ending during FY21.

The Restricted Stock Awards (RSA) granted on 28 October 2019 to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team will vest on 28 October 2022 subject to continued employment. The value of these awards will therefore be included in the single figure disclosures for FY23.

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 FY22 and FY21 were as follows:

Executive Directors	From 1 October 2021	From 1 October 2020	Percentage increase
J G Duffy	£436,540	£427,980	2%
S A Boyd	£305,786	£299,790	2%

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 2 July 2022, Executive Directors were able to earn a bonus of up to 100% of their annual base salary subject to the achievement of stretching EBITDA performance targets. Based on adjusted EBITDA performance of £28.7 million, the maximum adjusted EBITDA target has been achieved. Thus, the Executive Directors earned a bonus of 100% of salary for FY22.

The following table sets out the bonus pay-out to the Executive Directors for FY22 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)	£28.7 million	100% of salary	50% in cash 50% in shares

Long-term Incentives

PSP awards granted on 28 October 2019 were based on performance over the three financial years to 2 July 2022 and vested as to the amounts set out below. These awards are subject to a two-year holding period from 3 July 2022.

Measure	Performance conditions	% vesting	Actual performance	% of this element vesting	% of full award
50%: Adjusted diluted EPS for FY22	Adjusted diluted EPS	% vesting			
	Below 9.00p	0	10.1 pence per share	73.42%	36.71 %
	At 9.00p	25%			
	Between 9.00p and 10.72p	Straight-line vesting to 100%			
Above 10.72p	100%				
50%: Relative TSR measured against the FTSE Small Cap comparator group (excluding investment trusts) over the performance period	Relative TSR ranking	% vesting			
	Below median	0	Between median and upper quartile	48.08%	24.04%
	Median	25%			
	Between median and upper quartile	Straight-line vesting			
Upper quartile	100%				
Total % of award vesting					60.75%

In arriving at the adjusted EPS out-turn of 10.1p, the Committee has excluded the significant and non-recurring costs relating to restructuring and impairments.

The table below sets out the number and value of shares resulting from the vesting of the PSP option awards detailed above.

	Number of options granted	Number of shares vested	Value of shares vested
J G Duffy	625,310	379,876	£270,051
S A Boyd	438,016	266,095	£189,165

The value vesting in the table above is based on the three-month average shares price to 2 July 2022 (71.09p).

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees earned during FY22 are set out below:

Chairman fee	Non-Executive Director fee	Chair of a Board Committee	Member of a Board Committee
£96,250	£50,000	£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 2 July 2022 and 26 June 2021 were as follows:

	2 July 2022	26 June 2021
Executive Directors		
J G Duffy	2,738,246	2,617,592
S A Boyd	1,280,057	1,195,543
Non-Executive Directors		
P Baker	96,817	96,817
R Beveridge	14,000	14,000
R P E Duignan	-	-
M J Millard	9,701	9,366

The current personal shareholdings of J G Duffy and S A Boyd and their immediate families equate to circa 4.3 and 2.8 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 2 July 2022 and the date these Financial Statements were signed on 23 September 2022.

The interests of each Executive Director of the Company as at 2 July 2022 and 26 June 2021 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options at 26 June 2021	Granted	Exercised	Lapsed	Number of options at 2 July 2022
J G Duffy	04/12/2015	655,614	-	-	-	655,614
J G Duffy	28/10/2019	1,174,090	-	-	(245,434)	928,656
J G Duffy	22/10/2020	705,888	-	-	-	705,888
J G Duffy	01/11/2021	-	468,608	-	-	468,608
S A Boyd	04/12/2015	476,364	-	-	-	476,364
S A Boyd	28/10/2019	833,380	-	-	(171,921)	661,459
S A Boyd	22/10/2020	494,458	-	-	-	494,458
S A Boyd	01/11/2021	-	328,250	-	-	328,250
		4,339,794	796,858	-	(417,355)	4,719,297

Details of the PSP awards granted to the Executive Directors during FY22 are given in the table below:

	Number of shares	Basis of award	Performance/vesting period	Performance conditions
J G Duffy	468,808	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2021	50% subject to EPS growth and 50% subject to relative TSR (further details below)
S A Boyd	328,249	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2021	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 Company's shares over the three business days immediately prior to the end of FY21.

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

Vesting of 50% of the FY22 PSP award will normally be based upon the amount of the adjusted diluted EPS delivered in the financial year ending in 2024, being the final financial year of the three financial year performance period beginning with FY22. Below the threshold vesting target of 7.60p, none of the EPS component of the award will vest. 25% of this EPS component will vest if adjusted diluted EPS is 7.60p with 100% vesting at 9.00p 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 alternative 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.

Vesting of 50% of the FY22 PSP award will be based upon relative TSR against the FTSE Small Cap comparator group (excluding investment trusts) over the performance period. At below median relative TSR ranking, none of the TSR component of the award will vest. 25% of the TSR component will vest at median ranking, 100% of the TSR component vesting at upper quartile or above ranking, and vesting will be determined on a straight-line basis between these points.

Approval

This report was approved by the Board on 23 September 2022 and signed on its behalf by:

Marnie Millard

Chairman of the Remuneration Committee