

## Website – Corporate Governance Section

### 2019 Corporate Governance Statement

The Board is committed to high standards of corporate governance, and the Company complies with the ten principles of the QCA Corporate Governance Code (the “Code”) in all material respects.

#### QCA PRINCIPLES

Set out below is a brief explanation of the Company’s compliance with the 10 key principles of the Code.

##### A. DELIVER GROWTH

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

The Company has a stated strategy to become the leading speciality baking group in the UK. Please see our “Business Strategy” page (<http://finsburyfoods.co.uk/who-we-are/business-strategy>) and latest Annual Report (<http://finsburyfoods.co.uk/investor-relations/annual-reports/>) for further details. Our “Recipe for Growth” business model supports the Company’s strategy. Further details are set out below and in the Annual Report.

**b. Seeking to understand and meet shareholder needs and expectations**

The Company maintains regular communications with its shareholders through various channels. Please see section 2 of the Disclosures below for further information.

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

The Company is very mindful of its role in the local communities where it has been a long-serving local presence and also its wider societal responsibilities. The Board recognises that being a good neighbour and corporate citizen benefits the Company in various ways including workforce engagement and satisfying the requirements of its key customers. Please see section 3 of the Disclosures set out below for further information.

**d. Embed risk management, considering both threats and opportunities, through the organisation**

The Company has various risk management frameworks at local, senior management and Board level which are embedded in the organisation from a delegated authority policy and “Home Safe Every Day” policy operating on a day-to-day level through to Board level review of the high level risk register and insurance. Please see the latest Annual Report for further details. (<http://finsburyfoods.co.uk/investor-relations/annual-reports/>)

##### B. MAINTAINING A DYNAMIC MANAGEMENT FRAMEWORK

**a. Maintain the board as a well-functioning, balanced team led by the chair**

The Company’s board comprises 2 executive directors (the CEO and FD) and 4 non-executive directors (including the Chairman) with a wealth of relevant and diverse experience all of whom are considered by the Board to be independent. The Board meets at least 5 times a year and receives comprehensive board papers well in advance of meetings. The Board has Audit, Remuneration and Nominations Committees which are appropriately staffed, meet regularly and have formal terms

of reference. Regular contact outside of formal board meetings is also maintained to ensure that the Non-Executives are kept fully informed of all material developments and Non-Executives are encouraged to interact with senior management. Further information on the Board is set out in the Annual Report (<http://finsburyfoods.co.uk/investor-relations/annual-reports/>) and on the Board pages of the website <http://finsburyfoods.wpengine.com/who-we-are/the-board/>.

**b. Ensure that between them the directors have the necessary up to date experience, skills and capabilities**

The Company's executive directors are highly experienced management. The Non-Executive directors are all experienced PLC directors with industry relevant skills, knowledge and contacts, and strong financial skills. Further information on the Board is set out in the Annual Report (<http://finsburyfoods.co.uk/investor-relations/annual-reports/>) and on the Board pages of the website <http://finsburyfoods.wpengine.com/who-we-are/the-board/>.

**c. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

The Board undergoes an annual performance review. Please see section 4 of the Disclosures below for a description of the Board, Board Committee and individual director evaluation processes.

**d. Promote a corporate culture that is based on ethical values and behaviours**

The Company maintains a strong culture of good ethical behaviour across its businesses and relationships. Please see section 5 of the Disclosures below and the "Our Responsibilities" section of the website (<http://finsburyfoods.co.uk/csr/>) for more information.

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

The Board meets 5 times a year and otherwise as necessary. Formal agendas and board packs are provided well in advance of the meetings. Please see section 6 of the Disclosures below for further information on this topic.

**C. BUILD TRUST**

**a. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other stakeholders.**

The Company maintains regular communications with its shareholders and other stakeholders where relevant. Please see sections 2 and 3 of the Disclosures below for further information.

**QCA CODE WEBSITE DISCLOSURES**

This page contains the disclosures (or links to the relevant materials) which the Code considers appropriate for inclusion on the Company's website to demonstrate compliance with the Code. Please refer to the Company's latest Annual Report for additional Code disclosures required to

demonstrate compliance with the Code in the Annual Report (<http://finsburyfoods.co.uk/investor-relations/annual-reports/>).

## 1. Chairman's Corporate Governance Statement

*Code Requirement: Inclusion of the Chairman's Corporate Governance Statement (which complies with the requirements of the Code) in the Annual Report and on the Website.*

Please see the "Chairman's Corporate Governance Statement" on the Corporate Governance page of the Company's website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

## 2. Shareholder Engagement

*Code Requirement: The Code requires the Company to explain how it seeks to engage with shareholders and how successful this has been.*

The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements, which are available to view on the Company's website. 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
- Letters to shareholders when appropriate
- 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 lively 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, [company.secretary@finsburyfoods.co.uk](mailto:company.secretary@finsburyfoods.co.uk).

## 3. Business Model, Resources and Relationships

*Code Requirement: The Code requires an explanation to be provided as to:*

- *How the business model identifies the key resources and relationships on which the business relies*
- *How the Company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback*

### **Resources and Relationships**

The Company prepares an annual strategic plan which includes an extensive exercise by the separate businesses to identify their key resources and relationships and how best to manage and develop them. The strategic plan in turn informs the budgeting process. The businesses take into account a wide range of key resources including staffing, plant & machinery, ingredient supply chain and commodity sourcing during this exercise.

The Group has also instigated a Group-wide values and business model called “Recipe for Growth” which underpins and informs all its business dealings and relationships by reinforcing positive behaviours and attitudes across a number of areas including key trading relationships, cost effectiveness, product quality and innovation and sustainability.

### **Stakeholder Relationships**

#### *Shareholders*

Please refer to our comments on Shareholder Engagement above.

#### *Suppliers and Customers*

The businesses are constantly monitoring key relationships with suppliers and customers (and potential suppliers and customers) to maximise the success of the business and deliver in line with customer expectations and requirements. There are frequent meetings between management and key suppliers and customers which enable direct feedback to be provided in relation to all aspects of the relationship including new product development opportunities, pricing and delivery strategies. Various customers of the Company require it to comply with their own social responsibility requirements in order to maintain or improve the relationship.

#### *Staff*

The Group conducts an employee engagement survey every two years to solicit feedback from the workforce on a wide range of issues affecting them and holds an annual Group-wide conference for management level staff to encourage communication between the businesses and reinforce the Group ethos and values. The Company also maintains an independent whistleblowing hotline for employees to voice concerns in confidence if required.

#### *Community*

The Group is mindful of its position in the communities in which it operates and, in many cases, has been a significant local employer for many decades enjoying positive community relations through being a considerate employer and neighbour and supporting local charities and initiatives. Several of the Group’s factories operate apprenticeship schemes and work with local further education establishments to offer employment and training opportunities.

#### *Government and Authorities*

The Group cooperates openly and fully with Government Authorities and Agencies including HMRC and the Health & Safety Executive. All recommendations of such authorities are implemented as soon as reasonably possible.

#### **4. Board Performance and Evaluation**

*Code Requirement: The Code requires a detailed summary of*

- *The Board evaluation process/cycle*
- *Succession planning approach*

##### **Board, Committee and Director Evaluation Process**

The Board and each of the Audit and Remuneration Committees have instituted an annual performance review process whereby the Board/Committee members and, in the case of the Audit Committee, other regular attenders, are invited to complete a questionnaire measuring various issues including (amongst other things) effectiveness of the Chair, appropriateness of papers, skill set of the members, time and resources and openness of communication, and provide commentary on their views of the functioning of the relevant organ based on a scale of 1-5. The process is anonymous to encourage disclosure. The questionnaires, comments and ratings are collated by the Company Secretary and reviewed at a meeting of the Board or relevant Committee and appropriate actions are determined and followed up over the course of the year. This process was instituted for the Board in 2017 and the Audit and Remuneration Committees in 2018, prior to which performance evaluation was less formally undertaken at Board level (leading to reviews of the Terms of Reference and revision of the membership of the Committees). The Nominations Committee does not have a formal evaluation process as it is not considered necessary at this point in time. This will be kept under review.

The Chairman holds an annual appraisal with each individual director assisted by a standard review form and having sought feedback from other Board members and the Board and Committee evaluation processes. The appraisal seeks the subject director's views on a variety of issues and seeks to identify any development requirements or performance concerns identified by the Board or the subject director. A similar process is undertaken for the Chairman by one of the Non-Executive Directors.

##### **Succession Planning**

Succession planning is a matter considered by the whole Board and the Committees from their various points of view (risk, incentivisation etc.). Primary responsibility for developing a succession planning policy for the executive directors rests with the Nominations Committee.

The Board Evaluation Process specifically considers the appropriateness of the skill set and balance of the Board. The Non-Executive element of the Board and the composition of the Committees has been refreshed over the last 2-3 years with the Chairman playing a key role in this development and the Company's advisers and outside recruitment consultants also assisting.

Succession planning processes of the executive element and senior management have been recently reviewed. Where possible, the Group seeks to promote staff internally and a Group-

wide talent management programme has been developed. Where internal promotion is not possible, the Group uses external consultants to seek appropriately qualified candidates.

## 5. Ethical Values and Behaviours

*Code Requirements: The Code requires an explanation of how the Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and respected.*

The Company aims to behave in an ethical manner in all its dealings and this is reflected in various elements of the Finsbury model “Recipe for Growth” which informs all aspects of the Group’s business and is communicated internally and externally. This model has been developed by the executive and endorsed by the Board to ensure a “top down” lead on desirable and ethical behaviours. The model includes a taking a partnerial approach to the Group’s key trading relationships and adopting a sustainable approach to its business.

The Group places the health and safety of its workforce as its top priority and has a “Home Safe Every Day” policy with health and safety updates being provided at every Board meeting and the Audit Committee reviewing the Health & Safety policy annually to enable effective oversight of this key item. The Board also reviews the Group’s Modern Slavery Act statement annually.

The Audit Committee undertakes oversight of the integrity of financial reporting and internal controls and audit independence. It also keeps the anti-bribery policy under review.

The Group has an independent whistleblowing hotline for staff to express any concerns and the policy and use of the service is monitored by the Audit Committee.

With the exception of one Board meeting routinely held in London after the AGM, Board meetings are held at the Group’s manufacturing sites and site tours and site presentations with local management form part of the agenda for each meeting. This ensures the Board has “on the ground” visibility of the day-to-day operations and behaviours of the Group and have established relationships with senior management other than the executive directors.

For further information and examples of some of the Group’s specific ethical policies, please refer to the “Our Responsibilities” section of the website.

## 6. Governance Framework

*Code Requirements:*

- *Describe the roles and responsibilities of the Chair, Chief Executive and any other directors with specific individual responsibilities*
- *Describe the role of any committee setting out any terms of reference*
- *Describe matters reserved by the Board*
- *Describe any plans for the evolution of the Corporate Governance Framework*

### Individual Roles

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is responsible for leading the Board, setting its agenda and monitoring its effectiveness. He meets regularly and separately with the Chief Executive and the other Non-Executive Directors. For a more detailed breakdown of the split between the Chair and Chief

Executive roles, please see the “Chairman CEO Split of Responsibilities” document on the Corporate Governance page of the Company’s website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

No other directors have any particular governance responsibilities beyond their role on the Board committees.

### **Committees**

The Board has Audit, Remuneration and Nominations Committees as follows:

Audit Committee - Robert Beveridge chairs the Audit Committee, with Raymond Duignan as the other member.

For an explanation of the role of the Audit Committee and its terms of reference, please see the “Audit Committee Terms of Reference” document on the Corporate Governance page of the Company’s website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>) and the Report from the Chair of the Audit Committee in the latest annual report in the “Annual Reports” section of the website.

Remuneration Committee - Marnie Millard chairs the Remuneration Committee, with Raymond Duignan as the other member.

For an explanation of the role of the Remuneration Committee and its terms of reference, please see the “Remuneration Committee Terms of Reference” document on the Corporate Governance page of the Company’s website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>) and the Report from the Chair of the Remuneration Committee in the latest annual report in the “Annual Reports” section of the website.

Nominations Committee - Peter Baker chairs the Nomination Committee with Raymond Duignan as the other member.

For an explanation of the role of the Nominations Committee and its terms of reference, please see the “Nomination Committee Terms of Reference” document on the Corporate Governance page of the Company’s website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

### **Matters Reserved to the Board**

For an explanation of the matters reserved to the Board, please see the “Matters Reserved to the Board” document on the Corporate Governance page of the Company’s website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

### **Corporate Governance Development**

The Company has actively pursued an improved corporate governance environment over the last 4 years seeking to formalise and embed appropriate policies and procedures in line with good corporate practice to provide a solid foundation for its continuing growth. The Board considers that it is compliant in all material respects with all 10 principles of the Code. As the Company grows, the current intention is to further develop its corporate governance structures and move towards increasing compliance with the FRC’s UK Corporate Governance Code.

## **7. Voting and Annual Report Disclosures**

### *Code Requirements:*

- *Disclose the outcome of all votes in a clear and transparent manner*
- *Where a significant proportion of votes have been cast against a resolution, provide an explanation of what actions it intends to take to understand the reasons behind that vote result and, where appropriate, any action it has taken, or will take as a result of the vote;*
- *Include historical annual reports and other governance related material including AGM notices over the last 5 years*

### **Vote Disclosure**

In common with most AIM companies, the Company has in the past simply announced whether the resolutions presented at shareholder meetings have been passed or not. With effect from the 2018 AGM, the Company also announces the results of the proxy voting.

### **Negative Voting Patterns**

Should a significant proportion of votes be lodged against a resolution at a shareholder meeting, the Company intends to follow the disclosure requirements of the Code.

### **Historic Annual Reports and AGM Notices**

For copies of our Annual Reports dating back to 2012, please see the “Annual Reports” page of the “Investors” section of the website. The Company’s latest Annual Report includes a Directors’ Remuneration Report and Audit Committee Report.

For copies of our AGM Notices and other shareholder circulars dating back to 2014, please see the “AIM Rule 26” page of the “Investors” section of the website.

### **Statement Review**

This statement was last reviewed on 12 September 2019.