

## Directors' Remuneration Report (unaudited)

### Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

I am delighted to present the Directors' Remuneration Report as Chair of the Remuneration Committee of Finsbury Food Group for the year ended 27 June 2020.

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](http://www.finsburyfoods.co.uk/investor-relations/corporate-governance).

The Annual Report on Remuneration which is on pages 52 to 56 provides details of the amounts earned in respect of the year ended 27 June 2020.

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.

#### Review of the 2019-2020 Financial Year and Remuneration Outcome

The first half of the financial year was both a period of growth and of successful delivery against our strategic priorities, primarily driven by organic performance in UK Bakery as well as new business wins and the first full financial year contribution from our acquired Free From business, Ultrapharm.

Performance in the second half experienced significantly weaker trading as a result of the outbreak of Covid-19 at the end of March and the dramatic changes in demand the Group experienced thereafter. This impacted the financial performance of the Group with revenue and profit below the prior year levels. As set out on page 54, based on adjusted EBITDA performance of £24.4 million (pre first time adoption of IFRS 16), the Executive Directors did not earn a bonus for 2019-2020.

The Board also 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. I would like to thank the Board for supporting the organisation during 2020.

The LTIP awards granted on 26 October 2017 were based on a three year performance period ending on 27 June 2020. The LTIP awards have lapsed. EPS (50% of the total award) as at 27 June 2020 was 7.70p which was below the threshold EPS target of 10.29p; 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 29 June 2019.

As outlined in the Directors' Remuneration Report last year, in order to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team, the Committee also made an additional nil-cost share option award as Restricted Stock Awards ("RSA"). These awards are subject to continued employment for three years from the date of grant. The number of shares awarded to each Executive Director was equivalent to 100% of salary based on the closing price of the shares on the day prior to grant.

These awards and the respective conditions are detailed on page 56.

#### Remuneration in respect of the 2020-2021 Financial Year

The Committee is mindful of external developments linked to Covid-19. None of us are currently certain what the impact will be, or how long it will be felt. As set out below, we will proceed with great care in determining the operation of our Policy as detailed on [www.finsburyfoods.co.uk/investor-relations/corporate-governance](http://www.finsburyfoods.co.uk/investor-relations/corporate-governance) for the year ending 26 June 2021. We will monitor business conditions and exercise judgement in applying discretion relating to 2020-2021 remuneration in the context of all relevant factors.

#### Salary and Fees

No base salary increases are proposed for the Executive Directors for the year ending 26 June 2021. The next review of Executive Directors' salaries will be undertaken in October 2021. It is intended that the Executive Directors' salaries will increase in line with the general increases applied to the wider workforce.

Following a review of the Chairman and Non-Executive Directors' base and additional fees, it was agreed no changes will be made to the base fee and additional fees for the Chairman and Non-Executive Directors for the year ending 26 June 2021.

#### 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 2020-2021 bonus will be reported in the 2021 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 of the Remuneration Committee  
18 September 2020

## 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](http://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 27 June 2020 and 29 June 2019:

2020	Salaries/ fees €000	Taxable benefits €000	Annual bonus €000	LTIP <sup>1</sup> €000	Total remuneration €000
<b>Executive Directors</b>					
J G Duffy	394	12	-	-	406
S A Boyd	274	12	-	-	286
	<b>668</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>692</b>
<b>Non-Executive Directors</b>					
P Baker	79	-	-	-	79
R Beveridge	51	-	-	-	51
R P E Duignan	53	-	-	-	53
M J Millard	51	-	-	-	51
	234	-	-	-	234
	<b>902</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>926</b>

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.

2019	Salaries/ fees €000	Taxable benefits €000	Annual bonus €000	LTIP <sup>1</sup> €000	Total remuneration €000
<b>Executive Directors</b>					
J G Duffy	420	12	-	-	432
S A Boyd	294	12	-	-	306
	714	24	-	-	738
<b>Non-Executive Directors</b>					
P Baker	85	-	-	-	85
R Beveridge	56	-	-	-	56
R P E Duignan	57	-	-	-	57
M J Millard	53	-	-	-	53
Z Morgan	59	-	-	-	59
	310	-	-	-	310
	<b>1,024</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>1,048</b>

<sup>1</sup> No long-term incentive awards vested with respect to a performance period ending during the year to 29 June 2019 or with respect to a performance 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 29 June 2019 and 27 June 2020 were as follows:

Executive Directors	From 1 October 2018	From 1 October 2019	Percentage increase
J G Duffy	£420,000	£427,980	1.9%
S A Boyd	£294,200	£299,790	1.9%

As outlined in the single figure table on page 53, the Executive Directors elected to take a 30% salary reduction between 1 April 2020 and 30 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 27 June 2020 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 £24.4 million, the threshold adjusted EBITDA target of £27.7 million was not achieved. Thus, the Executive Directors did not earn a bonus for 2019-2020.

The following table sets out the bonus pay-out to the Executive Directors for 2019-20 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 £24,408,000	nil	nil

## Long-term Incentives

Awards granted on 26 October 2017 were based on performance over the three financial years to 27 June 2020 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	<b>Adjusted diluted EPS</b>	<b>% vesting</b>			
	Below 10.29p	0			
	10.29p	25%	7.7pps	nil	nil
	Between 10.29p and 12.46p	Straight-line vesting			
50% of the award based upon Relative Total Shareholder Return against the FTSE Small Cap (excluding investment trusts) ("TSR") over the performance period	<b>Relative TSR ranking</b>	<b>% vesting</b>			
	Below median	0			
	Median	25%	Below median	nil	nil
	Between median and upper quartile	Straight-line vesting			
Upper quartile	100%				
<b>Total % of award vesting</b>					<b>nil</b>

In arriving at the adjusted EPS out-turn of 7.70p 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	438,200	nil	nil
S A Boyd	315,269	nil	nil

## Directors' Remuneration Report (unaudited)/Continued

**Chairman and Non-Executive Director Fees**

Details of Chairman and Non-Executive Directors' fees for 2019-20 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

As noted in the single figure table on page 53, the Non-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 this period and are not reflected in the table above.

**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 27 June 2020 and 29 June 2019 were as follows:

	27 June 2020	29 June 2019
<b>Executive Directors</b>		
J G Duffy	<b>2,443,679</b>	2,443,679
S A Boyd	<b>1,095,543</b>	1,095,543
<b>Non-Executive Directors</b>		
P Baker	<b>96,817</b>	96,817
R Beveridge	<b>14,000</b>	14,000
R P E Duignan	-	-
M J Millard	<b>9,366</b>	9,366
Z Morgan	<b>70,028</b>	70,028

The current personal shareholdings of J G Duffy and S A Boyd equate to circa 3.4 and 1.5 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 27 June 2020 and the date these accounts were signed on 18 September 2020.

The interests of each Executive Director of the Company as at 27 June 2020 and 29 June 2019 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options 29 June 2019	Granted	Exercised	Lapsed	Number of options 27 June 2020
J G Duffy	26/06/2015	1,108,881	-	(1,108,881)	-	-
J G Duffy	04/12/2015	655,614	-	-	-	<b>655,614</b>
J G Duffy	26/10/2017	410,423	-	-	(410,423)	-
J G Duffy	26/10/2017	27,777	-	-	(27,777)	-
J G Duffy	21/01/2019	344,262	-	-	-	<b>344,262</b>
J G Duffy	28/10/2019	-	1,174,090	-	-	<b>1,174,090</b>
S A Boyd	26/06/2015	702,825	-	(702,825)	-	-
S A Boyd	04/12/2015	476,364	-	-	-	<b>476,364</b>
S A Boyd	26/10/2017	287,492	-	-	(287,492)	-
S A Boyd	26/10/2017	27,777	-	-	(27,777)	-
S A Boyd	21/01/2019	241,147	-	-	-	<b>241,147</b>
S A Boyd	28/10/2019	-	833,380	-	-	<b>833,380</b>
		4,282,562	2,007,470	(1,811,706)	(753,469)	<b>3,724,857</b>

## Directors' Remuneration Report (unaudited)/Continued

Details of the LTIP awards granted on 28 October 2019 are given in the table below:

	Number of shares*	Basis of award**	Performance/vesting period	Performance conditions
J G Duffy	625,310	100% of salary Nil cost option (PSP Award)	3 financial years from 30 June 2019	50% subject to EPS growth and 50% subject to relative TSR (further details below)
J G Duffy	548,780	100% of salary Nil cost option (RSA)	3 years from 28 October 2019	Subject to continued employment only
S A Boyd	438,015	100% of salary Nil cost option (PSP Award)	3 financial years from 30 June 2019	50% subject to EPS growth and 50% subject to relative TSR (further details below)
S A Boyd	395,365	100% of salary Nil cost option (RSA)	3 years from 28 October 2019	Subject to continued employment only

\* The total number of shares awarded under the RSA includes 36,585 options granted under the Company Share Option Plan (CSOP Option) for both J G Duffy and S A Boyd.

\*\* 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 29 June 2019. The value of shares subject to each RSA (including the CSOP Option element) was calculated using the closing price of the shares on the day prior to grant.

PSP awards will be subject to a further two-year holding period following the end of the performance period; there is no holding period for the RSA.

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 2020 Financial Year. Below the threshold vesting target of 9.00p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 9.00p with 100% vesting at 10.72p 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.

RSA vesting (including the CSOP Option element) is conditional on employment on the third anniversary of grant. The PSP awards are also subject to a general performance underpin assessing factors, including ROCE and other financial indicators of performance over the performance period, at the discretion of the Remuneration Committee.

### Approval

This Report was approved by the Board on 18 September 2020 and signed on its behalf by:

#### Marnie Millard

Chair of the Remuneration Committee