

Chairman's Governance Statement

The Board

As Chairman of the Board it is my responsibility to ensure that the Group has both an effective corporate governance and Board leadership. The Group has decided to adopt the Quoted Companies Alliance Corporate Governance (the 'QCA Code') and this report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code in all respects.

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves long-term success and performance whilst reducing or mitigating risks.

During the year the main change to the Company's governance arrangements has been to adopt the QCA Code in place of the FRC's UK Corporate Governance Code as the governance code on which the Company bases its main governance principles.

QCA Principles

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

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by the adoption of a single strategy for the Company. The Group's purpose is to be the UK's most innovative speciality bakery group, providing differentiation for our customers. Its business model, the Finsbury Recipe for Growth, is stated in the Corporate Governance section of our 2018 Annual Report and explains the underlying principles by which we manage our business. Our strategy and markets, as well as the key challenges faced by the business in achieving its goals, are explained in detail in the Strategic Report of the 2018 Annual Report.

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 regular intervals during the year and host broker and analyst meetings at operating sites from time to time.

The Chairman and Committee Chairs also meet with institutional shareholders on an ad hoc basis to discuss matters under the Committees' remit, e.g. directors' remuneration.

Shareholders with a specific query can contact the Company via Alma PR, the Company's PR advisers, on finsbury@almapr.co.uk or for company secretarial matters on company.secretary@finsburyfoods.co.uk.

The broker and NOMAD, Cenkos, is briefed regularly and updates the Board during the year on shareholder expectations.

The Annual General Meeting (AGM) is regarded as an opportunity to meet, listen and present to shareholders, and their participation is encouraged; all Directors attend the AGM and are available to meet shareholders individually or as a group. All 2017 AGM resolutions were passed comfortably.

Further details on the Company's shareholder engagement initiatives can be found in the QCA Code Website Disclosures document in the Corporate Governance section of the Company's website: <https://finsburyfoods.co.uk/investor-relations/corporate-governance/>

3. Take into account wider stakeholder and social responsibilities and their implications for long term success

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships.

Our continued success is built entirely on the talented people who work here, and employee engagement forms a major part of our Recipe for Growth. Everyone at Finsbury Foods is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

The Group conducts an annual employee engagement survey 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.

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. Joint business plans are agreed, customers visit our sites on a regular basis to be involved in product development and business planning activities. This provides them with the opportunity to raise issues and provide feedback to the Company.

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 Foods is a long-standing member of Sedex, an organisation for promoting improvement in responsible and ethical business practices in supply chains.

Further information in respect of the Company's relationship with all stakeholders can be found in the QCA Code Website Disclosures document in the Corporate Governance section of the Company's website: <https://finsburyfoods.co.uk/investor-relations/corporate-governance/>

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. A formal review of these risks is carried out by the Audit Committee and discussed by the Board on an annual basis.

The review process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact and

determination of what needs to be done to manage them effectively. Risk management is integral to the ability of the Group 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 internal control are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks;
- Management structure with clearly defined responsibilities and authority limits;
- A comprehensive system of reporting financial results to the Board;
- A rolling programme of internal audit activities carried out by group finance reporting to the Audit Committee;
- Appraisal and authorisation of capital expenditure projects; and
- Dual signatories on all bank accounts

The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness. Further details on the key risks faced by the business can be found in the Company's 2018 Annual Report.

5. Maintain the Board as a well-functioning, balanced team led by the Chair.

The Board is made of up two Executive Directors and four independent Non-Executive Directors, and is chaired by Peter Baker who has held this post for four years and is also regarded as independent. 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 senior site teams and to visit the factories.

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 and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board met five times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board papers are circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board dinners are held on the evening before meetings and allow broader discussion and development of effective Board relations. The Company also holds pre-meetings the day before Board to discuss specific topics, e.g. employee engagement.

Board and Committee meeting attendance during the most recent financial year is outlined below.

Director	Board attendance 5 meetings held	Audit Committee attendance 2 meetings held	Remuneration Committee attendance 2 meetings held
John Duffy	5	-	-
Steve Boyd	5	-	-
Peter Baker	5	-	-
Bob Beveridge	5	2	-
Zoe Morgan	4	2	2
Marnie Millard	5	-	2
Ray Duignan	4	2	2

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation. 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'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 3 days per month to the Company.

One third of the Board are subject to re-election every year.

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 directors have both a breadth and depth of skills and experience to fulfil their roles. Details of the directors' experience and areas of expertise are outlined in the Corporate Governance section of the Company's 2018 Annual Report. The Non-Executive Directors met during the year without executives present and maintain ongoing communications with executives between formal meetings.

In addition to their general Board responsibilities, the directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Company's Nomad also supports the Board's development, by providing guidance on corporate governance and other regulatory matters as required.

The Audit Committee chairman updates his technical and financial experience by attending workshops held by the major accounting firms.

In addition, the Company has employed the services of ONE Advisory to act as the Company Secretary. Laura Nuttall of ONE Advisory is the current Company Secretary and is supported by Liam O'Donoghue of ONE Advisory who covers company secretarial matters in her absence.

In addition, 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.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

This year's annual internal Board and Committee evaluation exercise was designed and led by the Company Secretary, working closely with the Chairman of the Board and followed the same process as last year in order to provide objectivity. The areas covered were structure & skills, operating effectiveness, operating efficiency, quality of information and ongoing development.

Individual reviews of Non-Executive Director performance were carried out with the Chairman and the Non-Executive Directors undertook a review of the performance of the Chairman. This concluded that the Chairman has an open, facilitating leadership style; demonstrates independence and objectivity; and shows a strong understanding of the business.

The Board evaluation exercise identified a number of positive areas including greater exposure of the Board during the year to members of the senior team and more involvement in the strategic development plans for the business. Although the Board and sub-committees are working well, areas highlighted for improvement included the need to develop succession planning (for both senior management and at Board level), and implement post investment reviews. These matters will be addressed during the 2018/19 financial year.

Further detail on the Company's board performance effectiveness process, as well as succession planning, can be found in the QCA Code Website Disclosures document in the Corporate Governance section of the Company's website: <https://finsburyfoods.co.uk/investor-relations/corporate-governance/>

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave.

The Group's Recipe for Growth was updated during the year and widely communicated with all employees. 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. A common culture is evolving based upon six operating principles:

- Operating excellence;
- Sustainable Operations;
- Quality and innovations;
- Cost effectiveness;
- Growth with our partners; and
- People who care.

By visiting all sites during the year, the Board is able to talk to staff and observe behaviours in order to satisfy itself on the status of the culture.

An annual employee engagement is carried out to ascertain feedback from employees and to help determine if ethical values and the Company's corporate culture are recognised and respected.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

As described in more detail in relation to principle 3, feedback from all stakeholders assists the Board in its assessment of the Company's corporate culture and ethical behaviours. Further detail on how the Company monitors ethical values and behaviours can be found in the QCA Code Website Disclosures document in the Corporate Governance section of the Company's website: <https://finsburyfoods.co.uk/investor-relations/corporate-governance/>

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Corporate Governance Code and to join the QCA. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the CEO being accountable for the management of the Company's business and primary contact with shareholders.

The Board has revised its a schedule of matters reserved for its decision during the year. 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 three members, Bob Beveridge (Chairman), Zoe Morgan and Ray Duigan. The Chief Financial Officer 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 accounts, and the review of the Company's risk management and internal control systems. The committee met two times during the financial year. A separate report of the Audit Committee activities is outlined in the Corporate Governance section of the 2018 Annual Report

Remuneration Committee

The Remuneration Committee has two members, Zoe Morgan (Chairman), Marnie Millard and Ray Duigan. The Remuneration Committee reviews the performance of the Executive Directors and employees and makes recommendations to the Board on matters relating to their terms of employment and remuneration, including short term bonus and long-term incentives. The

Remuneration Committee also considers and approves the granting of share options pursuant to the share option. The committee met two times during the financial year. A Statement from the Chair of the Remuneration Committee is outlined in the Corporate Governance section of the 2018 Annual Report and the Directors' Remuneration Policy Report is also outlined in the Corporate Governance section of the 2018 Annual Report.

Nominations Committee

The Nominations Committee has two members, Peter Baker (Chairman) and Ray Duigan. The Nominations Committee considers succession planning, reviews the structure, size, skills, diversity and composition of the Board and nominates candidates to fill Board vacancies. It meets as and when required. The Committee did not during the financial year.

Terms of Reference for each of the Committees can be found on the Company website, along with matters reserved for the board.

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 are:

- The annual general meeting;
- The Annual Report;
- Corporate website;
- Broker briefings;
- Broker and analyst visits to operating sites; and
- 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 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 or for company secretarial matters on company.secretary@finsburyfoods.co.uk.

Peter Baker
Chairman
21 September 2018