Dear fellow shareholder

It gives me great pleasure to update you on our progress in corporate governance over the past year.

One of the key roles for the Board of Directors at Mitchells & Butlers is to provide leadership for around 46,000 employees and maintain the highest possible standards of corporate governance. The Board continues to monitor developments in corporate governance and reporting regulations. The Strategic report on pages 1 to 43 includes the Group’s strategy, progress and performance for the year.

There have been no Board changes during the year and the Board as a whole has continued to work together to implement the Company’s strategy in a cohesive way. Our broad range of Board talent covers a variety of professional skills and our diverse group of Non-Executive Directors continue to bring much experience and challenge to the Board. My focus continues to be on maintaining a strong team, with a broad range of professional backgrounds and skills to drive further improvements where possible.

For 2017 we carried out an internal review of the Board’s effectiveness, and the results of this can be found on page 61.

The remainder of this report contains the narrative reporting required by the UK Corporate Governance Code, the Listing Rules and the Disclosure Guidance and Transparency Rules. I hope that you find this report to be informative and helpful in relation to this important topic.

We are committed to maintaining an active dialogue with all our shareholders, and we continue to offer our institutional investors access to key senior management and our Investor Relations team via our Investor Roadshow programme. I would like to encourage shareholders to attend our Annual General Meeting, details of which are set out in the separate Notice of AGM sent out with this Annual Report. The use of our Retail Support Centre in Birmingham as a venue for our AGM has proved to be a success (as well as a cost saving) and so we intend to use the same facility for the 2018 AGM and we look forward to welcoming you, where I hope you will take the opportunity of meeting our Executive and Non-Executive Board Directors.

I look forward to the year ahead, confident in the knowledge that the Company is led by a highly competent, professional and motivated team. I also look forward to the support of you, our shareholders, as our senior management team continues to focus on driving future profit growth and creating additional shareholder value.

Bob Ivell
Chairman

For the Company’s latest financial information go to: www.mblplc.com/investors
Bob Ivell
Non-Executive Chairman
Aged 65
Appointed to the Board in May 2011, Bob has over 30 years of extensive food and beverage experience with a particular focus on food-led, managed restaurants, pubs and hotels. He is currently Non-Executive Chairman of Carpetright plc, a Non-Executive Director of Charles Wells Limited and President of The Association of Licensed Multiple Retailers. He was previously Senior Independent Director of AGA Rangemaster Group plc and Britvic plc, and a main Board Director of S&N plc as Chairman and Managing Director of its Scottish & Newcastle retail division. He has also been Chairman of Regent Inns, Park Resorts and David Lloyd Leisure Limited, and was Managing Director of Beefeater Restaurants, one of Whitbread’s pub restaurant brands, and a Director of The Restaurant Group.
Bob is Chair of the Nomination Committee and of the Market Disclosure Committee.

Phil Urban
Chief Executive
Aged 54
Phil joined Mitchells & Butlers in January 2015 as Chief Operating Officer and became Chief Executive in September 2015. Phil was previously Managing Director at Grosvenor Casinos, a division of Rank Group and Chairman of the National Casino Forum. Prior to that, he was Managing Director for Whitbread’s Pub Restaurant division, and for Scottish & Newcastle Retail’s Restaurants and Accommodation Division. Phil has an MBA and is a qualified management accountant (CIMA).

Ron Robson
Deputy Chairman
Aged 54
Appointed as Deputy Chairman in July 2011, Ron is a Managing Director of Tavistock Group, Chief Executive of Ultimate Finance Group, Chairman of Avenue Insurance Partners and a Non-Executive Director of Tottenham Hotspur Limited. He was previously Chief Financial Officer of Tamar Capital Partners and Group Finance Director of Kenmore, both property investment and management groups. From 2005 to 2008 he was Group Finance Director of The Belhaven Group plc, a listed pub retailing, brewing and drink distribution group. Prior to that he held a number of senior finance roles including Group Finance Director of a listed shipping and logistics group, and trained as a Chartered Accountant with Arthur Andersen. Ron is a nominated shareholder representative of Piedmont Inc.

Colin Rutherford
Independent Non-Executive Director
Aged 58
Appointed as an independent Non-Executive Director in April 2013, Colin is currently Chairman of Brookgate Limited and Teachers Media plc. He is also a Non-Executive Director of EvoFerm Biosciences Inc. and Renaissance Services SAOG amongst his other activities. He was formerly Executive Chairman of MAM Funds plc and Euro Sales Finance plc and has served as a Director of various other public and private companies in the UK and overseas. Colin is a member of the Institute of Chartered Accountants of Scotland and has directly relevant corporate finance experience in both the leisure and hospitality industries. Colin is Chairman of the Audit Committee, and serves on all other independent governance committees.

Imelda Walsh
Independent Non-Executive Director
Aged 53
Appointed as an independent Non-Executive Director in April 2013, Imelda is a Non-Executive Director, and Chair of the Remuneration Committees of William Hill plc and FirstGroup plc. She was a Non-Executive Director, and Chair of the Remuneration Committee, of Mothercare plc from 2013 to 2016 and of Sainsbury’s Bank plc from 2006 to 2010. She has held senior Executive roles at J Sainsbury plc, where she was Group HR Director from March 2004 to July 2010, Barclays Bank plc and Coca-Cola & Schweppes Beverages Limited. Imelda is Chair of the Remuneration Committee.

Phil Urban
Finance Director
Aged 54
Tim was appointed Finance Director in October 2010. Prior to joining the Company, he held the position of Group Finance Director for Interserve plc, a support services group. Previously, he was Director of Financial Operations at Novar plc and held senior financial roles both in the UK and overseas in the logistics company, Exel plc. Tim is a member of the Institute of Chartered Accountants in England and Wales and obtained an MA in Economics at Cambridge University.

Colin Rutherford
Finance Director
Aged 54
Tim was appointed Finance Director in October 2010. Prior to joining the Company, he held the position of Group Finance Director for Interserve plc, a support services group. Previously, he was Director of Financial Operations at Novar plc and held senior financial roles both in the UK and overseas in the logistics company, Exel plc. Tim is a member of the Institute of Chartered Accountants in England and Wales and obtained an MA in Economics at Cambridge University.
Keith Browne  
Non-Executive Director  
Aged 48  
Appointed as a Non-Executive Director in September 2016, Keith is a representative of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. Keith obtained a Bachelor of Commerce Degree from University College Dublin, qualified as a chartered accountant in 1994 and subsequently gained an MBA from University College Dublin. After joining KPMG Corporate Finance in 1996, he became a partner in the firm in 2001 and Head of Corporate Finance in 2009. He retired from the partnership to operate as an Independent Consultant in 2011.

Eddie Irwin  
Non-Executive Director  
Aged 58  
Appointed as a Non-Executive Director in March 2012, Eddie is a nominee of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. Eddie is Finance Director of Coolmore, a leading thoroughbred bloodstock breeder with operations in Ireland, the USA and Australia and a Non-Executive Director of Grove Ltd, the holding company of Barchester Healthcare Limited. He graduated from University College Dublin, with a Bachelor of Commerce Degree and he is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

Stewart Gilliland  
Senior Independent Director  
Aged 60  
Appointed as an independent Non-Executive Director in May 2013 and as Senior Independent Director in February 2015, Stewart was Chief Executive Officer of Muller Dairy (UK) Limited until 2010 and prior to that held senior management positions in InBev SA, Interbrew UK Limited and Whitbread plc. He is currently Chairman of Booker Group Plc and Curious Drinks Limited and a Non-Executive Director of C&C Group plc and Nature’s Way Foods Limited.

Josh Levy  
Non-Executive Director  
Aged 58  
Appointed as a Non-Executive Director in March 2012, Eddie is a nominee of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. Eddie is Finance Director of Coolmore, a leading thoroughbred bloodstock breeder with operations in Ireland, the USA and Australia and a Non-Executive Director of Grove Ltd, the holding company of Barchester Healthcare Limited. He graduated from University College Dublin, with a Bachelor of Commerce Degree and he is a Fellow of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

Dave Coplin  
Independent Non-Executive Director  
Aged 47  
Appointed as an independent Non-Executive Director in February 2016, Dave is the CEO and founder of The Envisioners Limited and was formerly the Chief Envisioning Officer for Microsoft Limited, and is an established thought leader on the role of technology in our personal and professional lives. For over 25 years he has worked across a range of industries and customer marketplaces, providing strategic advice and guidance around the role and optimisation of technology in the modern society both inside and outside of the world of work.

Dave Coplin  
Independent Non-Executive Director  
Aged 47  
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The Directors present their report and the audited financial statements for the 53 weeks ended 30 September 2017. The Business review of the Company and its subsidiaries is given on pages 14 to 17 which, together with the Corporate governance statement and Audit Committee report, are incorporated by reference into this report and, accordingly, should be read as part of this report.

Details of the Group’s policy on addressing risks are given on pages 36 to 40 and 60 and 61, and details about financial instruments are shown in note 4.4 to the financial statements. These sections include information about trends and factors likely to affect the future development and performance of the Group’s businesses. The Company undertakes no obligation to update forward-looking statements.

Key performance indicators for the Group’s businesses are set out on pages 28 and 29.

This report has been prepared under current legislation and guidance in force at the year end date. The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations and under the Articles of Association. In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the prior approval of the Company to deal in the ordinary shares of the Company.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares. Interests of the Directors and their immediate families in the issued share capital of the Company as at the year end are on page 83 in the Report on Directors’ remuneration.

Dividend
The Board recommends a final dividend for the 53 weeks ended 30 September 2017 of 5p per share to be paid on 6 February 2018 to shareholders on the register at close of business on 15 December 2017. This makes a total dividend for the year of 7.5p per share (FY 2016 7.5p per share). As set out in the Notice of the Annual General Meeting sent to shareholders with this Annual Report, the Company will seek authority from its shareholders at that meeting to offer a scrip dividend alternative to a cash dividend. More details of that scrip dividend alternative are set out in the explanatory notes which accompany that Notice.

Areas of operation
Throughout FY 2017 the Group had activities in, and operated through, pubs, bars and restaurants in the United Kingdom and Germany.

Share capital
The Company’s issued ordinary share capital as at 30 September 2017 comprised a single class of ordinary shares of which 422,548,604 shares were in issue and listed on the London Stock Exchange (24 September 2016 413,624,294 shares). The rights and obligations attaching to the ordinary shares of the Company are contained within the Company’s Articles of Association. Of the issued share capital, no shares were held in treasury and the Company’s employee share trusts held 1,748,942 shares. Details of movements in the issued share capital can be found in note 4.7 to the financial statements on page 731. Each share carries the right to one vote at general meetings of the Company. The notice of the Annual General Meeting specifies deadlines for exercising voting rights in relation to the resolutions to be put to the Annual General Meeting.

All issued shares are fully paid up and carry no additional obligations or special rights. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations and under the Articles of Association. In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the prior approval of the Company to deal in the ordinary shares of the Company.

Participants in the Share Incentive Plan (‘SIP’) may complete a Form of Instruction which is used by Equiniti Share Plan Trustees Limited, the SIP Trustee, as the basis for voting on their behalf. During the year, shares with a nominal value of £35,705 were allotted under all-employee schemes as permitted under Section 549 of the Companies Act 2006, and shares with a nominal value of £726,579 were allotted pursuant to the Scrip Dividend Scheme. No securities were issued in connection with a rights issue during the year.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares. Interests of the Directors and their immediate families in the issued share capital of the Company as at the year end are on page 83 in the Report on Directors’ remuneration.

For the Company’s latest financial information go to: www.mbplc.com/investors

The Board’s responsibilities in respect of the Company include:

• Determining the overall business and commercial strategy
• Identifying the Company’s long-term objectives
• Reviewing the annual operating budget and financial plans and monitoring performance in relation to those plans
• Determining the basis of the allocation of capital
• Considering all policy matters relating to the Company’s activities including any major change of policy

The Company undertakes no obligation to update forward-looking statements.

Participants in the Share Incentive Plan (‘SIP’) may complete a Form of Instruction which is used by Equiniti Share Plan Trustees Limited, the SIP Trustee, as the basis for voting on their behalf.

During the year, shares with a nominal value of £35,705 were allotted under all-employee schemes as permitted under Section 549 of the Companies Act 2006, and shares with a nominal value of £726,579 were allotted pursuant to the Scrip Dividend Scheme. No securities were issued in connection with a rights issue during the year.

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Shareholders who hold share certificate(s) will need to complete a Scrip Dividend Mandate Form, which can be found on our website www.mbplc.com or by contacting Equiniti on 0371 384 2065. The completed Scrip Dividend Mandate form should be returned to the registrars no later than 5pm on 16 January 2018.

Shareholders who hold their shares in CREST and who wish to elect for the Scrip Dividend should complete an election through CREST no later than 5pm on 16 January 2018. Please refer to the elections process document available at www.shareview.co.uk/info/reinvest.

Shareholders who do not hold their shares in CREST and who have already submitted a Scrip Dividend Mandate form do not need to submit a new mandate form. The existing Mandate form will continue in force for those shareholders who do not hold shares in CREST unless and until notice of cancellation is received by the Company’s registrars not less than 15 working days before the date on which the dividend is to be paid.
**Interests in voting rights**

As at the date of this report, the Company was aware of the following significant holdings of voting rights (3% or more) in its shares:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Ordinary shares</th>
<th>% of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piedmont Inc.</td>
<td>113,026,256</td>
<td>26.74 Direct holding</td>
</tr>
<tr>
<td>Elpida Group Limited</td>
<td>98,969,081</td>
<td>23.42 Direct holding</td>
</tr>
<tr>
<td>Standard Life Aberdeen plc</td>
<td>60,288,713</td>
<td>14.26 Indirect holding</td>
</tr>
<tr>
<td>Smoothfield Holding Limited</td>
<td>18,668,553</td>
<td>4.42 Direct holding</td>
</tr>
</tbody>
</table>

* Using the total voting rights figure announced to the London Stock Exchange for 31 October 2017 of 422,639,413 shares.

**Directors**

Details of the Directors as at 22 November 2017 and their biographies are shown on pages 46 and 47. The Directors at 30 September 2017 and their interests in shares are shown on page 83. There were no changes to the Board of Directors during the year nor subsequent to the year end, up to the date of this report.

The Company is governed by its Articles of Association and the Companies Act 2006 and related legislation in relation to the appointment and removal of Directors. The powers of the Company’s Directors are set out in the Company’s Articles of Association.

In accordance with the Company’s Articles of Association (which are in line with best practice guidance of the UK Corporate Governance Code), all the Directors will retire at the AGM and will offer themselves for re-election.

Under a Deed of Appointment between Piedmont Inc. and the Company, Piedmont Inc. has the right to appoint two shareholder Directors to the Board whilst it owns 22% or more of the issued share capital of the Company, and the right to appoint one shareholder Director to the Board whilst it owns more than 16% of the Company but less than 22%. In the event that Piedmont Inc. owns less than 16% of the Company any such shareholder Directors would be required to resign immediately.

The Company’s two largest shareholders, Piedmont Inc. and Elpida Group Limited, have nominated representatives on the Board. Piedmont’s appointment rights are formalised in the Deed of Appointment referred to in this report but there is no equivalent agreement in place between the Company and Elpida. The Elpida representatives were appointed with the approval of the Board in March 2012 and September 2016. The Board has carefully considered whether it would be appropriate to enter into a formal agreement with Elpida that is similar to the existing agreement between the Company and Piedmont. Having taken into account the Financial Reporting Council’s report of August 2014 ‘Towards Clear & Concise Reporting’ and the views expressed previously by certain of the investor representative bodies, the Board considers that such an agreement would be merely one of form rather than substance and not in the interests of shareholders generally. As a result, the Board does not propose currently that the Company should enter into such an agreement with Elpida, and Elpida has not to date sought such an agreement. The Board considers that the Company is acting in accordance with good governance principles in working with our significant long-term shareholders towards our common goals and the achievement of the Company’s strategy, with continued stability at Board level.

**Directors’ indemnity**

As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each Director during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors’ and Officers’ liability insurance in respect of itself and its Directors. No indemnity is provided for the Company’s auditor.

**Articles of Association**

The Articles of Association may be amended by special resolution of the shareholders of the Company.

**Conflicts of interest**

The Company’s Articles of Association permit the Board to consider and, if it sees fit, authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company (‘Situational Conflicts’). The Board has a formal system in place for Directors to declare Situational Conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a Situational Conflict, the non-conflicted Directors are required to act in the way they consider would be most likely to promote the success of the Company for the benefit of all shareholders, and they may impose limits or conditions when giving authorisation, or subsequently, if they think this is appropriate. The Board believes that the systems it has in place for reporting and considering Situational Conflicts continue to operate effectively.

**Related party transactions**

Internal controls are in place to ensure that any related party transactions involving Directors or their connected persons are carried out on an arm’s-length basis and are properly recorded.
Change of control provisions
There are no significant agreements which contain provisions entitling other parties to such agreements to exercise termination or other rights in the event of a change of control of the Company.

There are no provisions in the Directors’ or employees’ service agreements providing for compensation for loss of office or employment occurring because of a takeover.

The trustee of the Company’s SIP will invite participants on whose behalf it holds shares to direct it how to vote in respect of those shares, and, if there is an offer for the shares or other transaction which would lead to a change of control of the Company, participants may direct it to accept the offer or agree to the transaction. The trustee of the Mitchells & Butlers Employee Benefit Trust may, having consulted with the Company, vote or abstain from voting in respect of any shares it holds or accept or reject an offer relating to shares in any way it sees fit, and it may take all or any of the following matters into account: the long-term interests of beneficiaries, the non-financial interests of beneficiaries, the interests of beneficiaries in their capacity as employees or former employees, the interests of future beneficiaries and considerations of a local, moral, ethical, environmental or social nature.

The rules of certain of the Company’s share plans include provisions which apply in the event of a takeover or reconstruction, as set out below.

Provisions which apply in the event of a takeover or reconstruction

<table>
<thead>
<tr>
<th>Share plan</th>
<th>Provision in the event of a takeover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Performance Restricted Share Plan</td>
<td>Awards vest pro rata to performance and time elapsed and lapse six months later</td>
</tr>
<tr>
<td>2013 Short Term Deferred Incentive Plan</td>
<td>Bonus shares may be released or exchanged for shares in the new controlling company</td>
</tr>
<tr>
<td>2013 Sharesave Plan</td>
<td>Options may be exercised within six months of a change of control</td>
</tr>
<tr>
<td>Share Incentive Plan</td>
<td>Free shares may be released or exchanged for shares in the new controlling company</td>
</tr>
</tbody>
</table>

Employment policies
The Group is responsive to the needs of its employees. As such, should any employee of the Group become disabled during their time with us, we will actively retrain that employee and make reasonable adjustments to their environment where possible, in order to keep the employee with the Group.

Employee engagement
Mitchells & Butlers engages with its employees continuously and in a number of ways to suit their different working patterns. This includes:
• line manager briefings;
• communications forums and roadshows held by functions or brands across the Company;
• a dedicated intranet for the Retail Support Team;
• ‘Mable’, the M&B online learning system;
• email news alerts;
• focus groups;
• weekly bulletins – specifically targeted at retail house managers and mobile workers;
• employee social media groups; and
• a monthly magazine poster, Frontline News, for the retail estate.

Details of the financial and economic factors affecting the performance of the Company are shared with all employees at the appropriate time using the methods listed above.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants and pubs and engagement surveys for all employees to the Mitchells & Butlers annual Business Forum. Business Forum representatives collect questions from employees across the Company and put them to members of the Executive Committee. The questions and answers are published in Frontline News and online.

Since Mable was launched in July 2017, the STAR programme, a universal training needs analysis and learning resource for all retail roles, has now been used by over 8,800 new team members as an integral part of the businesses induction process. STAR is supported by coaching material that has been produced for every technical task associated with a job in hospitality, the visual training library enables our teams to access up to date and relevant information from any hand held or desk top device, and a progress report enables every member of the organisation to understand the skills and progress of our people. The introduction of Mable, the business’s social learning platform, has enabled the business to direct key training messages contained within STAR quickly and efficiently to the front line.

Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales (and a Challenge 25 policy in our Scottish businesses). The policy requires that any guest attempting to buy alcohol who appears under the age of 21, must provide an acceptable form of proof of age ID to confirm that they are over 18, before they can be served. This policy forms part of our regular training for our employees on their responsibilities for serving alcohol.
Mitchells & Butlers is keen to encourage greater employee involvement in the Group’s performance through share ownership. It operates two HMRC approved all-employee plans, which are the 2013 Sharesave Plan and the Share Incentive Plan (which includes Partnership shares). The Company also operates two other plans on a selective basis, which are the 2013 Performance Restricted Share Plan and the 2013 Short Term Deferred Incentive Plan. Further details on the plans are set out in the Report on Directors’ remuneration.

During the year, the Company has remained within its headroom limits for the issue of new shares for share plans as set out in the rules of the above plans. The Company uses an employee benefit trust to acquire shares in the market when appropriate to satisfy share awards in order to manage headroom under the plan rules. No shares in the Company were purchased by the employee benefit trust during FY 2017.

Political donations
The Company made no political donations during the year and intends to maintain its policy of not making such payments. It will, however, as a precautionary measure to avoid inadvertent breach of the law, seek shareholder authority at its 2018 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

Funding and liquidity risk
In order to ensure that the Group’s long-term funding strategy is aligned with its strategic objectives, the Treasury Committee regularly assesses the maturity profile of the Group’s debt, alongside the prevailing financial projections and three year plan. This enables it to ensure that funding levels are appropriate to support the Group’s plans.

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) and £150m of unsecured committed bank facilities. Further information regarding these arrangements is included in note 4.2 to the financial statements on page 118. The terms of the securitisation and the bank facilities contain a number of financial and operational covenants. Compliance with these covenants is monitored by Group Treasury.

The Group prepares a rolling daily cash forecast covering a six-week period and an annual cash forecast by period. These forecasts are reviewed and used to manage the investment and borrowing requirements of the Group. A combination of cash pooling and zero balancing agreements is in place to ensure the optimum liquidity position is maintained. Committed facilities outside of the securitisation are sized to ensure that the Group can meet its medium-term anticipated cash flow requirements.

Going concern
The financial statements which appear on pages 88 to 139 have been prepared on a going concern basis. The Directors have reviewed the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The Group’s financing is based on securitised debt and unsecured bank facilities and, within this context, a robust review has been undertaken of projected performance against all financial covenants. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. See section 1 of the financial statements on page 101 for the Company’s going concern statement, and page 40 for the Company’s long-term viability statement.

Annual General Meeting
The notice convening the Annual General Meeting is contained in a circular sent to shareholders with this report and includes full details of the resolutions proposed.

Auditor
Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and its reappointment will be put to shareholders at the AGM.

Post-balance sheet events
There are no post-balance sheet events to report.

Disclosure of information to auditor
Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company’s auditor is unaware and each Director has taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

Greenhouse gas (‘GHG’) emissions statement
The Group generates GHG emissions throughout its estate of bars and restaurants for heating, cooling, lighting and catering including the refrigeration and preparation of food and drink.

GHG emissions per £m turnover were reduced by 8.1% during the 2016/17 tax year in comparison to 2015/16 in response to a range of behavioural change activities. This reduction has been achieved despite increasing sales although it should be noted that conversion factors have also reduced, particularly for grid supplied electricity due to a reduction in coal generation which has been balanced by an increase in cleaner gas and renewables generation.
## Assessment parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assessment year</strong></td>
<td>2016/17 Tax Year</td>
</tr>
<tr>
<td><strong>Consolidation approach</strong></td>
<td>Financial control</td>
</tr>
<tr>
<td><strong>Boundary summary</strong></td>
<td>All bars and restaurants either owned or under operational control during the 2016/17 tax year were included.</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>General classifications of greenhouse gas emissions scopes based on the GHG protocol and ISO14064-1:2006 within the context of the Group’s operations are as follows:</td>
</tr>
<tr>
<td><strong>Scope 1</strong></td>
<td>– direct greenhouse gas emissions from sources that are owned or controlled by the Group, e.g. fuel combustion of varying types, occurs during kitchen activity and to generate heating and domestic hot water most commonly through natural grid supplied gas, but also some LPG (Liquefied Petroleum Gas) and oil. Real fires fuelled by logs or coal are also used to supplement customer comfort and enhance ambience.</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td>– GHG emissions from the generation of purchased electricity used during kitchen activity and for lighting, heating and cooling.</td>
</tr>
<tr>
<td><strong>Scope 3</strong></td>
<td>– indirect emissions as a consequence of the activities of the Group, but occurring from sources not owned or controlled by the Group. This assessment focuses on scope 1 and 2 emissions only (scope 3 is optional under the current regulations).</td>
</tr>
<tr>
<td><strong>Consistency with the financial statements</strong></td>
<td>Scope 1 and 2 emissions are reported for the 2016/17 and 2015/16 tax years to retain consistency with reporting of our carbon emissions under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.</td>
</tr>
<tr>
<td><strong>Exclusions</strong></td>
<td>Scope 1 – Vehicle fleet emissions are excluded as they have been calculated to account for &lt;1% total emissions which falls below the materiality threshold.</td>
</tr>
<tr>
<td><strong>Outside of scope</strong></td>
<td>Scope 1 – Fugitive emissions within refrigeration and cooling equipment are not included as detailed records are not yet held.</td>
</tr>
<tr>
<td><strong>Emission factor data source</strong></td>
<td>All carbon emission factors used are taken from the Government emission conversion factors for greenhouse gas company reporting published by BEIS (formerly DEFRA). The 2016 version of the factors has been applied to the 2016/2017 consumption data set and the 2015 version has been applied to the 2015/2016 consumption data set.</td>
</tr>
<tr>
<td><strong>Assessment methodology</strong></td>
<td>Defra Environmental Guidelines 2013.</td>
</tr>
<tr>
<td><strong>Materiality threshold</strong></td>
<td>All emission types estimated to contribute &gt;1% of total emissions are included.</td>
</tr>
<tr>
<td><strong>Intensity threshold</strong></td>
<td>Emissions are stated in tonnes CO₂e per £m revenue. This intensity ratio puts emissions into context given the scale of the Group’s activities and enables comparison with prior year performance.</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td>Emissions during the 2015/16 tax year are provided for comparative purposes. It should be noted that the 2015/16 emissions have been re-calculated with electricity transmission and distribution losses removed as these are now classed as Scope 3 emissions.</td>
</tr>
</tbody>
</table>
Greenhouse gas emissions source | 2015/16 (tCO\(_2\)e) | 2015/16 (tCO\(_2\)e/£m) | 2016/17 (tCO\(_2\)e) | 2016/17 (tCO\(_2\)e/£m) | Change from previous year (tCO\(_2\)e) | Change from previous year (tCO\(_2\)e/£m) | % movement in tCO\(_2\)e/£m | 
--- | --- | --- | --- | --- | --- | --- | --- | 
Scope 1 | 96,014 | 46.0 | 95,993 | 45.4 | (21) | (0.6) | (1.3%) | 
Scope 2 | 183,183 | 87.8 | 163,960 | 77.6 | (19,223) | (10.2) | (11.6%) | 
Statutory total (Scope 1 & 2)* | 279,197 | 133.8 | 259,953 | 123.0 | (19,244) | (10.8) | (8.1%) | 

* Statutory carbon reporting disclosures required by the Companies Act 2006.

Modern Slavery Act 2015
In accordance with the requirements of the Modern Slavery Act, the Board has approved and the Company has accordingly published its compliance statement on its website. This can be accessed at www.mbplc.com

By order of the Board

Greg McMahon
Company Secretary and General Counsel
22 November 2017
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 November 2017 and is signed on its behalf by:

**Tim Jones**
Finance Director
22 November 2017
Corporate governance statement

The Board is committed to high standards of corporate governance. I am delighted to be able to report that the Board considers that the Company has complied throughout the year ended 30 September 2017 with all the provisions and best practice guidance of the Code except those in respect of Board composition and the constitution of Board Committees. This corporate governance statement addresses the small number of areas where, for reasons specific to Mitchells & Butlers, there are divergences from the Code as described below.

The Audit Committee report and Nomination Committee report which are set out on pages 62 to 65 and page 58 respectively of the Annual Report also form part of this corporate governance statement and they should all be considered together.

The Board recognises the importance of good corporate governance in creating a sustainable, successful and profitable business and details are set out in this statement of the Company’s corporate governance procedures and application of the principles of the Code. There are, however, a small number of areas where, for reasons specifically related to the Company, the detailed provisions of the Code were not fully complied with in FY 2017. These areas are kept under regular review. A fundamental aspect of the Code is that it contains best practice recommendations in relation to corporate governance yet acknowledges that, in individual cases, these will not all necessarily be appropriate for particular companies. Accordingly, the Code specifically recognises the concept of ‘Comply or Explain’ in relation to divergences from the Code.

Compliance with the Code

Exception for the matters which are explained below (in line with the ‘Comply or Explain’ concept), the Company complied fully with the principles and provisions of the Code throughout the financial year in respect of which this statement is prepared (and continues to do so as at the date of this statement).

Explanation for non-compliance with parts of the Code

During the year, there were three divergences from full compliance with the Code as set out below by reference to specific paragraphs in the Code:

B.1.2 (Composition of the Board), C.3.1 and D.2.1 Constitution of Committees

During the year, Code Provision B.1.2, which requires that at least half of the Board be made up of independent Non-Executive Directors (excluding the Chairman), was not complied with. Accordingly, this had consequential implications on the composition of the Audit and Remuneration Committees. There were no changes in Board composition during FY 2017.

While the Board does not comply fully with the requirement for at least half of its members to be independent, it recognises and values the presence of representatives of its major shareholders on the Board and welcomes the interest shown by them in the Company as a whole. The Board will continue to work closely with the representatives of its major shareholders to further the interests of the Company.

The possibility of appointing a further independent Non-Executive Director remains a matter for the Nomination Committee to review and is considered regularly. Throughout FY 2017, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the Code. The Audit and Remuneration Committees are not fully compliant with the relevant provisions of paragraphs C.3.1 and D.2.1 of the Code in that they include the presence of representatives of major shareholders. Nevertheless, the Board values the contribution of those shareholder representatives on those Committees, does not consider this to be an impediment to good governance and looks forward to continuing to work with them on matters affecting the Group and its activities in the future.

Bob Ivell
Chairman

Corporate governance statement

This corporate governance statement sets out our report to shareholders on the status of our corporate governance arrangements.

The Board is responsible for ensuring that the activities of the Mitchells & Butlers Group and its various businesses are conducted in compliance with the law, regulatory requirements and rules, good practices, ethically and with appropriate and proper governance and standards. This includes reviewing internal controls, ensuring that there is an appropriate balance of skills and experience represented on the Board and compliance with the UK Corporate Governance Code (the ‘Code’), which is issued by the Financial Reporting Council and which is available at www.frc.org.uk, and for maintaining appropriate relations with shareholders.

In 2016, the Company reported against the 2014 version of the Code. In September 2015, the FRC published a consultation on revisions to Ethical and Auditing Standards, the UK Corporate Governance Code and related Guidance on Audit Committees and, as a result of this consultation, the FRC issued an updated UK Corporate Governance Code and associated Guidance on Audit Committees.

The Board is therefore reporting against the 2016 edition of the Code which came into effect for accounting periods beginning on or after 17 June 2016. Key changes between the 2014 and 2016 Codes relate to a requirement for competence of audit committees relevant to the sector in which the company operates, a deletion of the requirement for FTSE 350 companies to put the external audit contract out to tender at least every ten years, and a requirement for the Audit Committee report to include advance notice of any external audit retendering plans. During the year, the Audit Committee reviewed its Terms of Reference (including the section dealing with the Group Policy for the Provision of Non-Audit Services by the External Auditor), and further details are included in the Audit Committee report on page 62.

The latest financial information for Mitchells & Butlers and its group of companies is included in the 2017 Annual Report and Accounts (of which this corporate governance statement forms part) and which are available online at www.mbplc.com/investors.
The information required by Disclosure Guidance and Transparency Rule (‘DGTR’) 7.1 is set out in the Audit Committee report on pages 62 to 65. The information required by DGTR 7.2 is set out in this corporate governance statement, other than that required under DGTR 7.2.6 which is set out in the Directors’ report on pages 48 to 53.

**Board composition**

The Board started and ended the year with eleven Directors and the table opposite lists the composition of the Board during the year.

The Board

The Board is responsible to all stakeholders, including its shareholders, for the strategic direction, development and control of the Group. It approves strategic plans and annual capital and revenue budgets. It reviews significant investment proposals and the performance of past investments and maintains an overview and control of the Group’s operating and financial performance. It monitors the Group’s overall system of internal controls, governance and compliance and ensures that the necessary financial, technical and human resources are in place for the Company to meet its objectives. Our website includes a schedule of matters which have been reserved for the main Board.

During FY 2016 there were ten scheduled Board meetings. There were also four meetings of the Audit Committee, five meetings of the Remuneration Committee and one meeting of the Nomination Committee. The table shows attendance levels at the Board and Committee meetings held during the year; the numbers in brackets confirm how many meetings each Director was eligible to attend during the year.

Where a Director was unable to attend a meeting (whether of the Board or one of its Committees), they were provided with all the papers and information relating to that meeting and were able to discuss issues arising directly with the Chairman of the Board or Chair of the relevant Committee. In addition, the Board members meet more informally approximately four times a year and the Chairman and the Non-Executive Directors meet without the Executive Directors twice a year.

There are ten Board meetings currently planned for FY 2018. The Company Secretary’s responsibilities include ensuring good information flows to the Board and between senior management and the Non-Executive Directors. The Company Secretary is responsible, through the Chairman, for advising the Board on all corporate governance matters and for assisting the Directors with their professional development. This includes regular corporate governance and business issues updates, as well as the use of operational site visits and the provision of external courses where required. The Company Secretary facilitates a comprehensive induction for newly appointed Directors, tailored to individual requirements and including guidance on the requirements of, and Directors’ duties in connection with, the Code and the Companies Act 2006 as well as other relevant legislation. In FY 2017, the Company Secretary also co-ordinated an internal performance evaluation of the Board. The appointment and removal of the Company Secretary is a matter reserved for the Board.

**Directors who served during the year**

<table>
<thead>
<tr>
<th>Directors who served during the year</th>
<th>Date appointed</th>
<th>Date of change of role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell 1</td>
<td>09/05/11</td>
<td>14/07/11</td>
</tr>
<tr>
<td>Keith Browne 2</td>
<td>14/07/11</td>
<td>26/10/11</td>
</tr>
<tr>
<td>Executive Chairman</td>
<td>26/10/11</td>
<td>12/11/12</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>23/05/13</td>
<td>–</td>
</tr>
<tr>
<td>Senior Independent Director 02/02/15</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Eddie Irwin 2</td>
<td>21/03/12</td>
<td>–</td>
</tr>
<tr>
<td>Josh Levy 3</td>
<td>13/11/15</td>
<td>–</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>18/10/10</td>
<td>–</td>
</tr>
<tr>
<td>Ron Robson 3</td>
<td>22/01/10</td>
<td>–</td>
</tr>
<tr>
<td>Colonial Rutherford</td>
<td>22/04/13</td>
<td>–</td>
</tr>
<tr>
<td>Phil Urban</td>
<td>27/09/15</td>
<td>–</td>
</tr>
<tr>
<td>Imelda Walsh 1</td>
<td>22/04/13</td>
<td>–</td>
</tr>
</tbody>
</table>

1. Independent while in the role specified
2. Nominated shareholder representative of Elpida Group Limited
3. Nominated shareholder representative of Piedmont Inc.

**Attendance levels at Board and Committee meetings**

<table>
<thead>
<tr>
<th>Directors</th>
<th>Board</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Nomination Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell</td>
<td>10 (10)</td>
<td>n/a</td>
<td>5 (5)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Keith Browne</td>
<td>10 (10)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Dave Coplin</td>
<td>10 (10)</td>
<td>3 (4)</td>
<td>4 (5)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>9 (10)</td>
<td>4 (4)</td>
<td>4 (5)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Eddie Irwin</td>
<td>9 (10)</td>
<td>3 (4)</td>
<td>3 (5)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>10 (10)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Josh Levy</td>
<td>10 (10)</td>
<td>n/a</td>
<td>1 (1)</td>
<td>n/a</td>
</tr>
<tr>
<td>Ron Robson</td>
<td>10 (10)</td>
<td>4 (4)</td>
<td>4 (4)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Colonial Rutherford</td>
<td>10 (10)</td>
<td>4 (4)</td>
<td>5 (5)</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Phil Urban</td>
<td>10 (10)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Imelda Walsh</td>
<td>10 (10)</td>
<td>4 (4)</td>
<td>5 (5)</td>
<td>1 (1)</td>
</tr>
</tbody>
</table>

Where a Director was prevented from attending a meeting due to travel difficulties or clashes with other business commitments, in each case the Director concerned provided comments on the matters to be considered to the Chairman, another Director or the Company Secretary.

**Directors**

The following were Directors of the Company during the year ended 30 September 2017:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Date appointed</th>
<th>Date of change of role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell</td>
<td>09/05/11</td>
<td>14/07/11</td>
</tr>
<tr>
<td>Keith Browne</td>
<td>14/07/11</td>
<td>26/10/11</td>
</tr>
<tr>
<td>Executive Chairman</td>
<td>26/10/11</td>
<td>12/11/12</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>23/05/13</td>
<td>–</td>
</tr>
<tr>
<td>Senior Independent Director 02/02/15</td>
<td>–</td>
<td>–</td>
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<td>21/03/12</td>
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</tr>
<tr>
<td>Josh Levy 3</td>
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<td>–</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>18/10/10</td>
<td>–</td>
</tr>
<tr>
<td>Ron Robson 3</td>
<td>22/01/10</td>
<td>–</td>
</tr>
<tr>
<td>Colonial Rutherford</td>
<td>22/04/13</td>
<td>–</td>
</tr>
<tr>
<td>Phil Urban</td>
<td>27/09/15</td>
<td>–</td>
</tr>
<tr>
<td>Imelda Walsh 1</td>
<td>22/04/13</td>
<td>–</td>
</tr>
</tbody>
</table>

1. Independent while in the role specified
2. Nominated shareholder representative of Elpida Group Limited
3. Nominated shareholder representative of Piedmont Inc.
At the start and end of the year, the Board was made up of ten male and one female members. There were no changes to the Board during the year.

The Executive Directors have service contracts which are summarised on pages 76 and 77. The Chairman and each of the Non-Executive Directors have letters of appointment. Copies of the respective service contracts or letters of appointment of all the members of the Board are available on the Company’s website. In addition, they are available for inspection at the registered office of the Company during normal business hours and at the place of the Annual General Meeting from at least 15 minutes before and until the end of the meeting.

All the Company’s Directors are required to stand for annual re-election at the Company’s Annual General Meeting in accordance with the Company’s Articles of Association. Their biographical details as at 22 November 2017 are set out on pages 46 and 47, including their main commitments outside the Company.

The Executive Directors may be permitted to accept one external Non-Executive Director appointment with the Board’s prior approval and as long as this is not likely to lead to conflicts of interest.

**Division of responsibilities between Chairman and Chief Executive**

In accordance with provision A.2.1 of the Code, the roles of Chairman and Chief Executive should not be exercised by the same individual.

The division of responsibilities between the Chairman and the Chief Executive are clearly established and set out in writing and agreed by the Board. In particular, it has been agreed in writing that the Chairman shall be responsible for running the Board and shall provide advice and assistance to the Chief Executive. He also chairs the Nomination Committee, is a member of the Remuneration Committee and attends, by invitation, meetings of the Audit Committee. He also chairs the Market Disclosure Committee, the Property Committee and the Pensions Committee.

It is also agreed in writing that the Chief Executive has responsibility for all aspects of the Group’s overall commercial, operational and strategic development. He chairs the Executive Committee (details of which appear on page 59) and attends the Nomination, Remuneration and Audit Committee by invitation, not necessarily for the entirety of such meetings depending upon the subject matter. He is also a member of the Market Disclosure Committee, the Property Committee and the Pensions Committee.

All other Executive Directors (currently just the Finance Director) and all other members of the Executive Committee report to the Chief Executive.

**Chairman**

The UK Corporate Governance Code provides that the Chairman should, on appointment, meet the independence criteria set out in provision B.1.1 of that Code. Bob Ivell met these independence criteria on appointment.

Bob Ivell was appointed to the role of Executive Chairman on 26 October 2011 on the departure of the then Chief Executive and reverted to the role of Non-Executive Chairman on 12 November 2012.

The Chairman ensures that appropriate communication is maintained with shareholders. He ensures that all Directors are fully informed of matters relevant to their roles.

**Chief Executive**

Phil Urban was appointed Chief Executive on 27 September 2015. He has responsibility for implementing the strategy agreed by the Board and for the executive management of the Group.

**Senior Independent Director**

Stewart Gilliland was appointed to the role of Senior Independent Director on 2 February 2015.

The Senior Independent Director supports the Chairman in the delivery of the Board’s objectives and ensures that the views of all major shareholders and stakeholders are conveyed to the Board. Stewart Gilliland is available to all shareholders should they have any concerns if the normal channels of Chairman, Chief Executive or Finance Director have failed to resolve them, or for which such contact is inappropriate.

The Senior Independent Director also meets with Non-Executive Directors, without the Chairman present, at least annually, and conducts the annual appraisal of the Chairman’s performance and provides feedback to the Chairman on the outputs of that appraisal.

**Non-Executive Directors**

The Company has experienced Non-Executive Directors on its Board. Bob Ivell was considered to be independent upon his appointment on 9 May 2011 in that he was free from any business or other relationship with the Company which could materially influence his judgement and he continues to represent a strong source of advice and independent challenge. Since his appointment as Chairman on 14 July 2011 the independence test, as set out in the Code, is no longer applicable to his current position.

Ron Robson and Josh Levy were appointed to the Board as representatives of one of the Company’s largest shareholders, Piedmont Inc., and were therefore not regarded as independent in accordance with the Code.

Eddie Irwin and Keith Browne were appointed to the Board as representatives of another of the Company’s largest shareholders, Elpida Group Limited and were therefore not regarded as independent in accordance with the Code.

There are currently four independent Non-Executive Directors on the Board: Stewart Gilliland, Colin Rutherford, Imelda Walsh and Dave Coplin. Other than their fees, and reimbursement of taxable expenses which are disclosed on page 80, the Non-Executive Directors received no remuneration from the Company during the year.

When Non-Executive Directors are considered for appointment, the Board takes into account their other responsibilities in assessing whether they can commit sufficient time to their prospective directorship. On average, the Non-Executive Directors spend two to three days per month on Company business, but this may be more depending on the circumstances from time to time.
**Corporate governance statement** continued

**Board information and training**
All Directors are briefed by the use of comprehensive papers circulated in advance of Board meetings and by presentations at those meetings, in addition to receiving minutes of previous meetings. Their understanding of the Group’s business is enhanced by business specific presentations and operational visits to the Group’s businesses. Separate strategy meetings and meetings with senior executives and representatives of specific functions, brands or business units are also held throughout the year.

The training needs of Directors are formally considered on an annual basis and are also monitored throughout the year with appropriate training being provided as required, including corporate social responsibility and corporate governance as well as the environmental impacts of the Company’s activities.

**Committees**
Each Board Committee has written terms of reference approved by the Board, which are available on the Company’s website. Those terms of reference are each reviewed annually by the relevant Committee to ensure they remain appropriate.

**Audit Committee**
Details of the Audit Committee and its activities during the year are included in the Audit Committee report on pages 62 to 65 which is incorporated by reference into this statement.

**Remuneration Committee**
Details of the Remuneration Committee and its activities during the year are included in the Report on Directors’ remuneration on pages 66 to 87.

**Nomination Committee**
The Nomination Committee is responsible for nominating, for the approval of the Board, candidates for appointment to the Board. It is also responsible for succession planning for the Board and the Executive Committee and reviewing the output of the Board effectiveness review.

During the year, the Nomination Committee considered the composition of the Board and commissioned the internally-facilitated Board effectiveness review.

The Nomination Committee agrees the importance of having diversity on the Board, including female representation and individuals with different experiences, skill sets and expertise, so as to maintain an appropriate balance within the Company and on the Board.

**Board Diversity Policy**
The Board has approved a Board Diversity Policy. The key statement and objectives of that policy are as follows:

**Statement:**
The Board recognises the benefits of diversity. Diversity of skills, background, knowledge, international and industry experience, and gender, amongst many other factors, will be taken into consideration when seeking to appoint a new Director to the Board. Notwithstanding the foregoing, all Board appointments will always be made on merit.

**Objectives:**
- The Board should ensure an appropriate mix of skills and experience to ensure an optimum Board and efficient stewardship. All Board appointments will be made on merit while taking into account individual competence, skills and expertise measured against identified objective criteria (including consideration of diversity).
- The Board should ensure that it comprises Directors who are sufficiently experienced and independent of character and judgement.
- The Nomination Committee will discuss and agree measurable objectives for achieving diversity on the Board with due regard being given to the recommendations set out in the Davies Report, the Hampton-Alexander Review and the UK Corporate Governance Code 2016. These will be reviewed on an annual basis.

**Progress against the policy:**
The Board continues to monitor progress against this policy. In terms of Board diversity, the proportion of women on the Board was 9% as at the year ended 30 September 2017. Any future appointments will always be made on merit and will continue to take into account diversity, not only in terms of gender, but also in terms of the appropriate mix of skills and experience.

Details of the Mitchell’s & Butlers Diversity Policy, which applies to diversity in relation to employees of the Mitchell’s Butlers Group, can be found in the corporate social responsibility section on pages 30 to 35.

A detailed description of the duties of the Nomination Committee is set out within its terms of reference which can be viewed at www.mbplc.com/investors/businessconduct/boardcommittees/

The following were members of the Nomination Committee during the year:

<table>
<thead>
<tr>
<th>Appointment date</th>
<th>Member at 30/09/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell (Chair)</td>
<td>11/07/13 Y</td>
</tr>
<tr>
<td>Dave Coplin</td>
<td>29/02/16 Y</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>11/07/13 Y</td>
</tr>
<tr>
<td>Eddie Irwin</td>
<td>11/07/13 Y</td>
</tr>
<tr>
<td>Ron Robson</td>
<td>11/07/13 Y</td>
</tr>
<tr>
<td>Colin Rutherford</td>
<td>11/07/13 Y</td>
</tr>
<tr>
<td>Imelda Walsh</td>
<td>11/07/13 Y</td>
</tr>
</tbody>
</table>

During the year, the Company complied with provision B.2.1 of the Code as the Nomination Committee comprised a majority of independent Non-Executive Directors.
Market Disclosure Committee
The EU Market Abuse Regulation (MAR) which took effect in July 2016, brought about substantial changes relating to announcements of material information about the Company and its affairs, and relating to dealings in shares or other securities by Directors and other senior executives, including tighter controls on permitted ‘dealings’ during closed periods and the handling of information relating to the Company. MAR requires companies to keep a list of people affected and the previous compliance regime and timeframe were enhanced.

As a result, a formal standing Committee of the Board was established, called the Market Disclosure Committee, which is comprised of the Chairman, the Chief Executive, the Finance Director and an independent Non-Executive Director, currently Colin Rutherford.

Executive Committee
The Executive Committee, which is chaired by the Chief Executive, consists of the Executive Directors and certain other senior executives, namely Gary John (Group Property Director), Susan Martindale (Group HR Director), Greg McMahon (Company Secretary and General Counsel), Chris Hopkins (Commercial and Marketing Director) and Susan Chappell, Nick Crossley, Dennis Deare and Rob Pitcher (all Divisional Directors).

The Executive Committee meets at least every six weeks and has day-to-day responsibility for the running of the Group’s business. It develops the Group’s strategy and annual revenue and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals. This Committee monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board. It considers employment issues, ensures the Group has an appropriate pool of talent and develops senior management manpower planning and succession plans. A note of the actions agreed by, and the principal decisions of, the Executive Committee are supplied to the Board for information in order that Board members can keep abreast of operational developments.

Phil Urban has ultimate responsibility for employment related issues and he also oversees matters relating to human rights including the implementation of the Modern Slavery Act throughout the Group.

General Purposes Committee
The General Purposes Committee comprises any two Executive Directors or any one Executive Director together with a senior officer from an agreed and restricted list of senior Executives. It is always chaired by an Executive Director. It attends to business of a routine nature and to the administration of matters, the principles of which have been agreed previously by the Board or an appropriate Committee.

Property Committee
The Property Committee reviews property transactions which have been reviewed and recommended by the Portfolio Development Committee, without the need for submission of transactions to the full Board. The Property Committee agrees to the overall strategic direction for the management of the Group’s property portfolio on a half-yearly basis and may decide that a particular transaction should be referred to the Board for consideration or approval. The Property Committee comprises Bob Ivell (Committee Chair), Phil Urban, Tim Jones, Josh Levy, Keith Browne, Colin Rutherford, Stewart Gilliland and Gary John.

Portfolio Development Committee
The executive review of property transactions and capital allocation to significant property matters such as site remodel and conversion plans and the Company’s real estate strategy is carried out by the Portfolio Development Committee. This is not a formal Board Committee but is comprised of the Chief Executive, the Finance Director, the Group Property Director and the Company Secretary and General Counsel. It has delegated authority to approve certain transactions up to agreed financial limits and, above those authority levels, it makes recommendations to the Board or the Property Committee.

Pensions Committee
The Board has established a Pensions Committee to supervise and manage the Company’s relationship with its various pension schemes and their trustees.

The Pensions Committee members are Bob Ivell (Committee Chair), Colin Rutherford, Imelda Walsh, Tim Jones, Phil Urban, Keith Browne and Josh Levy.

Throughout FY 2017 the work of the Pensions Committee focused primarily on the negotiations with the Trustee of the Group’s two principal defined benefit pension schemes, the Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan, to agree the triennial valuations of those schemes as at 31 March 2016. The successful conclusion of those triennial valuations was announced by the Company in its Third Quarter Trading Update on 27 July 2017. Those valuations showed an agreed deficit of £451m (which was a reduction from the deficit of £572m as disclosed by the 2013 triennial valuations) which will be funded by an unchanged level of cash contribution (of £46m p.a., indexed) to 2023.

The discussions and negotiations between the Trustee of the Group’s two defined benefit plans and the Pensions Committee were led on the Pension Committee’s behalf by Colin Rutherford, one of the Company’s independent Non-Executive Directors. This process was complicated and necessarily highly detailed. To reflect the very significant amount of time and effort which Mr Rutherford committed to this process during FY 2017, the Board approved a one-off additional fee for Mr Rutherford of £75,000. The Board does not expect that there will be any further fee of this nature in FY 2018.

Treasury Committee
The treasury operations of the Mitchells & Butlers Group are operated on a centralised basis under the control of the Group Treasury department. Although not a formal Board Committee, the Treasury Committee, which reports to the Finance Director but is subject to oversight from the Audit Committee and, ultimately, the Board, has day-to-day responsibility for:

- liquidity management;
- investment of surplus cash;
- funding, cash and banking arrangements;
- interest rate and currency risk management;
- guarantees, bonds, indemnities and any financial encumbrances including charges on assets; and
- relationships with Banks and other market counterparties such as credit rating agencies.
The Treasury Committee also works closely with the financial accounting department to review the impact of changes in relevant accounting practices and to ensure that treasury activities are disclosed appropriately in the Company’s accounts.

The Board delegates the monitoring of treasury activity and compliance to the Treasury Committee. It is responsible for monitoring the effectiveness of treasury policies and making proposals for any changes to policies or in respect of the utilisation of new instruments. The approval of the Board, or a designated committee thereof, is required for any such proposals.

Independent advice
Members of the Board may take independent professional advice in the furtherance of their duties and the Board has agreed a formal process for such advice to be made available. Members of the Board also have access to the advice and services of the Company Secretary and General Counsel, the Company’s legal and other professional advisers and its external auditor. The terms of engagement of the Company’s external advisers and its external auditor are regularly reviewed by the Company Secretary and General Counsel.

Code of Ethics
The Company has implemented business conduct guidelines describing the standards of behaviour expected from those working for the Company in the form of a code of ethics (the ‘Ethics Code’). The Ethics Code was reviewed and re-communicated to all employees in FY 2017 to ensure it was kept clearly in focus. Its aim is to promote honest and ethical conduct throughout our business. The Ethics Code requires:

- compliance with all applicable rules and regulations that apply to the Company and its officers including compliance with the requirements of the Bribery Act 2010;
- the ethical handling of actual or apparent conflicts of interest between internal and external, personal and professional relationships; and
- that any hospitality from suppliers must be approved in advance by appropriate senior management, with a presumption against its acceptance.

The Company takes a zero tolerance approach to bribery and has developed an extensive Bribery Policy which is included in the Ethics Code. The Ethics Code requires employees to comply with the Bribery Policy.

The Company also offers an independently administered, confidential whistleblowing hotline for any employee wishing to report any concern that they feel would be inappropriate to raise with their line manager. All whistleblowing allegations are reported to, and considered by, the Executive Committee and a summary report (with details of any major concerns) is supplied to, and considered by, the Audit Committee at each meeting.

The Board takes regular account of social, environmental and ethical matters concerning the Company through regular reports to the Board and presentations to the Board at its strategy meetings. The Company’s compliance statement in relation to the Modern Slavery Act can be viewed on the Company’s website www.mbplc.com

Directors’ training includes environmental, social and governance (‘ESG’) matters and the Company Secretary is responsible for ensuring that Directors are made aware of and receive regular training in respect of these important areas. The Chief Executive, Phil Urban, is ultimately responsible for ESG matters.

The Board is responsible for the Company’s internal risk management system, in respect of which more details can be found in the ‘Risks and uncertainties’ section of this report, and in the following section of this statement.

Internal control and risk management
The Board has overall responsibility for the Group’s system of internal control and risk management and for reviewing its effectiveness. In order to discharge that responsibility, the Board has established the procedures necessary to apply the Code for the year under review and to the date of approval of the Annual Report. Such procedures are regularly reviewed by the Audit Committee.

The key features of the Group’s internal control and risk management systems include:

- Processes, including monitoring by the Board, in respect of:
  i. financial performance within a comprehensive financial planning, accounting and reporting framework;
  ii. strategic plan achievement;
  iii. capital investment and asset management performance, with detailed appraisal, authorisation and post-investment reviews; and
  iv. consumer insight data and actions to assess the evolution of brands and formats to ensure that they continue to be appealing and relevant to the Group’s guests.

- An overall governance framework including:
  i. clearly defined delegations of authority and reporting lines;
  ii. a comprehensive set of policies and procedures that employees are required to follow; and
  iii. the Group’s Ethics Code, in respect of which an annual confirmation of compliance is sought from all corporate employees.

- The Risk Committee, a sub-committee of the Executive Committee, which assists the Board, the Audit Committee and the Executive Committee in managing the processes for identifying, evaluating, monitoring and mitigating risks. The Risk Committee, which continues to meet quarterly, is chaired by the Company Secretary and General Counsel and comprises Executive Committee members and other members of senior management from a cross-section of functions. Its primary responsibilities are to:
  i. advise the Executive Committee on the Company’s overall risk appetite and risk strategy, taking account of the current and prospective operating, legal, macroeconomic and financial environments;
  ii. advise the Executive Committee on the current and emerging risk exposures of the Company in the context of the Board’s overall risk appetite and risk strategy;
  iii. promote the management of risk throughout the organisation;
  iv. review and monitor the Company’s capability and processes to identify and manage risks;
  v. consider the identified key risks faced by the Company and new and emerging risks and consider the adequacy of mitigation plans in respect of such risks; and
  vi. where mitigation plans are inadequate, recommend improvement actions.
The Group’s risks identified by the processes that are managed by the Risk Committee are described in ‘Risks and uncertainties’ on pages 36 to 40. More details of the work of the Risk Committee are included in the Audit Committee report on pages 62 to 65.

- Examination of business processes on a risk basis including reports from the internal audit function, known as Group Assurance, which reports directly to the Audit Committee.

The Group also has in place systems, including policies and procedures, for exercising control and managing risk in respect of financial reporting and the preparation of consolidated accounts. These systems, policies and procedures:

- govern the maintenance of accounting records that, in reasonable detail, accurately and fairly reflect transactions;
- require reported information to be reviewed and reconciled, with monitoring by the Audit Committee and the Board; and
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with International Financial Reporting Standards (‘IFRS’) or UK Generally Accepted Accounting Practice, as appropriate.

In accordance with the Code, during the year the Audit Committee completed (and reported to the Board its conclusions in respect of) its annual review of the effectiveness of the Group’s risk management and internal control systems, including financial, operational and compliance controls. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, as such, it can only provide reasonable and not absolute assurance against material misstatement or loss. In that context, in the opinion of the Audit Committee, the review did not indicate that the system was ineffective or unsatisfactory and to the extent that weaknesses in internal controls were identified, the Audit Committee confirmed that necessary remedial action plans were in place. The Audit Committee is not aware of any change to this status up to the date of approval of this Annual Report.

With regard to insurance against risk, it is not practicable to insure against every risk to the fullest extent. The Group regularly reviews both the type and amount of external insurance that it buys with guidance from an external independent broker, bearing in mind the availability of such cover, its cost and the likelihood and magnitude of the risks involved.

Shareholder relations
The Board recognises that it is accountable to shareholders for the performance and activities of the Company. The Company regularly updates the market on its financial performance, at the half year and full year results in May and November respectively, and by way of other announcements as required. The content of these updates is available by webcast on the Company’s website, together with general information about the Company so as to be available to all shareholders.

The Company has a regular programme of meetings with its larger shareholders which provides an opportunity to discuss, on the basis of publicly available information, the progress of the business.

On a more informal basis, the Chairman, Chief Executive and the Finance Director regularly report to the Board the views of larger shareholders about the Company, and the other Non-Executive Directors are available to meet shareholders on request and are offered the opportunity to attend meetings with larger shareholders.

The AGM provides a useful interface with shareholders, many of whom are also guests in our pubs, bars and restaurants. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated.

Board effectiveness evaluation and Chairman’s evaluation and appraisal
During FY 2017, the Nomination Committee commissioned an internal self-evaluation review in which the Board continued to review the effectiveness of individual Directors. The conclusions of that review have been reported on to the Board and appropriate actions relating to adjustments and improvements to the way in which the Directors, the Board and its Committees interact have been agreed upon. None of these constitute significant changes to the pre-existing operational practices of the Board or its Committees but, rather, fall within the ambit of continuous review and evolution.

In summary, the principal outputs of that review were that:

- The Board should continue to keep under close review the evolution of, and emerging trends across, the leisure and hospitality industry, which it was noted is still developing rapidly, as well as monitoring current operations;
- There was a continued need for up to date succession plans with particular reference to diversity; and
- The Board should have the opportunity to spend time in the Group’s businesses to ensure continued familiarity with the delivery of the Group’s goods and services and the operational environment.

All of these matters have been built into the Board’s timetable for FY 2018.

The Senior Independent Director, Stewart Gilliland, has led the process for the annual appraisal of the Chairman’s performance with the independent Non-Executive Directors (without the Chairman present) and the conclusions were fed back to the Chairman.

Annual reviews of the Chairman’s performance will continue to be conducted as required by the Code. Further, the Board Effectiveness Review included an assessment of the Chairman and his fulfilment of his role.

Going concern
The Directors’ statement as to the status of the Company as a going concern can be found on page 51.
Audit Committee report

Colin Rutherford
Chairman of the Audit Committee

Introduction from the Audit Committee Chairman
I am delighted to present, on behalf of the Board, the report of its Audit Committee for the financial year ended 30 September 2017.

Over the previous year we continued to have the benefit of spending valuable time with our Group Risk Director and those key individuals throughout the Group, who collectively provide an appreciation and rigorous insight into how our Group functions and reports. These interactions are extremely valuable and the Committee are grateful for the instruction they provide. These activities also significantly assist towards the promotion and efficient execution of the Committee’s oversight role.

Engagement with auditors and third parties
The Committee continued to engage formally, regularly and at an appropriate level of detail with our external auditors, internal auditors (also externally resourced), and other third-party advisers as necessary. This has enabled the Committee to maintain an appropriate understanding of how our auditors and third-party advisers interact with our assurance and risk function. In turn this enabled these essential authorities to provide comprehensive coverage of audit process and third-party assurance and risk, and this helped augment our Committee’s confidence in their respective and collective fieldwork conclusions.

It is also important to note our Committee’s role in overseeing the well-considered provision of adequate resources by the Group, towards ensuring that any additional non-audit services required over the year were obtained where necessary, and in dealing with the increasing role of the FRC and its incumbent reporting demands.

Effectiveness of internal controls and Group assurance and risk function
The above efforts provided the Committee with a clear and detailed understanding of the principal operations at all levels over the year. The Committee continued to focus on challenging the effectiveness of the Group’s internal controls, the robustness of Group Assurance and Risk Management processes and in assessing the importance of, and acting as required upon, all reported information received from our auditors and third-party advisers.

We remain committed to maintaining an open and constructive dialogue with our shareholders on audit matters. Therefore, if you have any comments or questions on any element of the report, please email me, care of Adrian Brannan, Group Risk Director, at company.secretariat@mbplc.com

Membership and remit of the Audit Committee
The main purpose of the Audit Committee is to review and maintain oversight of Mitchells & Butlers’ corporate governance, particularly with respect to financial reporting, internal control and risk management. The Audit Committee’s responsibilities also include:

- reviewing the processes for detecting fraud, misconduct and internal control weaknesses;
- reviewing the effectiveness of the Group Assurance function; and
- overseeing the relationship with the external and internal auditors.

At the date of the 2017 Annual Report, the Audit Committee comprises four independent Non-Executive Directors: Colin Rutherford (Chair), Imelda Walsh, Stewart Gilliland and Dave Coplin, and two further Non-Executive Directors nominated by substantial shareholders, Ron Robson and Eddie Irwin. In accordance with Code provision C.3.1 the Board considers that Colin Rutherford has significant, recent and relevant financial experience. Biographies of all of the members of the Audit Committee, including a summary of their respective experience, appear on pages 46 and 47.

Following the appointment of three Independent Non-Executive Directors in April and May 2013, Committee members were appointed with effect from 11 July 2013, and revised terms of reference were established, in order to comply with Code requirements. Those terms of reference are reviewed annually.

The Audit Committee continued to meet quarterly during FY 2017. In each case, appropriate papers were distributed to the Committee members and other invited attendees, including, where and to the extent appropriate, representatives of the external audit firm and the internal Group Assurance function.

When appropriate, the Audit Committee augments the skills and experience of its members with advice from internal and external audit professionals, for example, on matters such as developments in financial reporting. Audit Committee meetings are also attended, by invitation, by other members of the Board including the Chief Executive and the Finance Director, the Company Secretary and General Counsel, the Group Risk Director and representatives of the external auditor, Deloitte LLP. The Audit Committee also meets privately not less than twice a year, without any member of management present, in relation to audit matters, with the external auditor.

The remuneration of the members of the Audit Committee is set out in the Report on Directors’ remuneration on page 80.
Summary terms of reference
A copy of the Audit Committee’s terms of reference is publicly available within the Investor section of the Company’s website: www.mbpplc.com/pdf/audit_committee_terms.pdf

The Audit Committee’s terms of reference were approved by the Committee and adopted by the plc Board in 2013. Those terms of reference specifically provide that they will be reviewed annually. They have been reviewed each year since and no changes were felt to be needed in FY 2017. At the time of re-adoption of the Company’s Corporate Governance Compliance Statement in July 2016, as updated to reflect changes required to give effect to the introduction of the Market Abuse Regulation (MAR), any changes to the Company’s governance arrangements to reflect the requirements of MAR were introduced. Other than those MAR related amendments, which related to consequential changes to regulatory references (e.g. the UKLA’s Disclosure and Transparency Rules are now known as the Disclosure Guidance and Transparency Rules), there have been no material changes to these Terms of Reference since the last review in 2015. Accordingly, in FY 2017 no changes were made to the terms of reference of the Audit Committee, and the work of the Audit Committee is kept under review with the expectation that any such matters which come to light are included in the review scheduled for FY 2018.

The Audit Committee is authorised by the Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain, at the Company’s expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary. The Chair of the Audit Committee reports to the subsequent Board meeting on the Committee’s work and the Board receives a copy of the minutes of each meeting.

The role and responsibilities of the Audit Committee are to:

• review the Company’s public statements on internal control, risk management and corporate governance compliance;
• review the Company’s processes for detecting fraud, misconduct and control weaknesses and to consider the Company’s response to any such occurrence;
• review management’s evaluation of any change in internal controls over financial reporting;
• review with management and the auditor, Company financial statements required under UK legislation before submission to the Board;
• establish, review and maintain the role and effectiveness of the internal audit function, known as Group Assurance, whose objective is to provide independent assurance over the Group’s significant processes and controls, including those in respect of the Group’s key risks;
• assume direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the auditor, including review of the external audit, its cost and effectiveness;
• pre-approve non-audit work to be carried out by the auditor and the fees to be paid for that work together with the monitoring of the external auditor’s independence;
• oversee the process for dealing with complaints received by the Group regarding accounting, internal accounting controls or auditing matters and any confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
• adopt and oversee a specific Code of Ethics for all corporate employees which is consistent with the Company’s overall statement of business ethics.

Key activities of the Audit Committee
Audit matters are reviewed at quarterly Audit Committee meetings throughout the year at which detailed reports are presented for review. The Audit Committee commissions reports from external advisers, the Group Risk Director or Company management, either after consideration of the Company’s major risks or in response to developing issues. During the year, in order to fulfil the roles and responsibilities of the Audit Committee, the following matters were considered:

• the suitability of the Group’s accounting policies and practices;
• half year and full year financial results;
• the scope and cost of the external audit;
• the auditor’s half year and full year reports;
• reappointment and evaluation of the performance of the auditor, including recommendations to the Board, for approval by shareholders, on the reappointment of the Company’s auditor and on the approval of fees and terms of engagement;
• non-audit work carried out by the auditor and trends in the non-audit fees in accordance with the Committee’s policy to ensure the safeguarding of audit independence;
• the co-ordination of the activities and the work programmes of the internal and external audit functions;
• the arrangements in respect of Group Assurance including its resourcing, external support, the scope of the annual internal audit plan for FY 2017 regarding the level of achievement and the scope of the annual internal audit plan for FY 2018;
• periodic internal control and assurance reports from Group Assurance;
• the Group’s risk management framework for the identification and control of major risks, its risk and assurance mitigation plan and the annual assessment of effectiveness of controls;
• compliance with the Company’s Code of Ethics;
• corporate governance developments;
• the status of material litigation involving the Group; and
• reports on allegations made via the Group’s whistleblowing procedures and the effectiveness of these procedures including a summary of reports received during FY 2017.

The Audit Committee, the following matters were considered:

• the suitability of the Group’s accounting policies and practices;
• half year and full year financial results;
• the scope and cost of the external audit;
• the auditor’s half year and full year reports;
• reappointment and evaluation of the performance of the auditor, including recommendations to the Board, for approval by shareholders, on the reappointment of the Company’s auditor and on the approval of fees and terms of engagement;
• non-audit work carried out by the auditor and trends in the non-audit fees in accordance with the Committee’s policy to ensure the safeguarding of audit independence;
• the co-ordination of the activities and the work programmes of the internal and external audit functions;
• the arrangements in respect of Group Assurance including its resourcing, external support, the scope of the annual internal audit plan for FY 2017 regarding the level of achievement and the scope of the annual internal audit plan for FY 2018;
• periodic internal control and assurance reports from Group Assurance;
• the Group’s risk management framework for the identification and control of major risks, its risk and assurance mitigation plan and the annual assessment of effectiveness of controls;
• compliance with the Company’s Code of Ethics;
• corporate governance developments;
• the status of material litigation involving the Group; and
• reports on allegations made via the Group’s whistleblowing procedures and the effectiveness of these procedures including a summary of reports received during FY 2017.
Disclosure of significant issues considered

The Audit Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, which are described in the relevant accounting policies and detailed notes to the financial statements on pages 88 to 139.

The Audit Committee’s review included consideration of the following key accounting judgements:

- Property, Plant and Equipment Valuation – the assumptions used by management to value the long leasehold and freehold estate including estimated fair maintainable trading levels, brand multiples and use of spot valuations to ensure a consistent valuation methodology is in place. A number of key judgements are also applied in calculating short leasehold impairment such as trading levels and the use of an appropriate discount rate;
- Valuation of onerous lease provisions – as currently calculated the onerous lease provision (including the key matters considered, e.g. lease term, rental commitments, operating performance and turnaround plans) has increased in FY 2017, resulting in a separately disclosed charge; and
- Pension deficit – the pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as the discount rate and inflation which have an impact on the valuation of the defined benefit pension scheme was assessed by the Audit Committee.

Effectiveness of internal audit

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Company’s internal audit function. The Audit Committee meets regularly with management and with the Group Risk Director and the auditor, to review the effectiveness of internal controls and risk management and receives reports from the Group Risk Director on a quarterly basis.

The annual internal audit plan is approved by the Audit Committee and kept under review on a monthly basis, by the Group Risk Director, in order to reflect the changing business needs and to ensure new and emerging risks are considered. The Audit Committee is informed of any amendments made to the audit plan on a quarterly basis. The FY 2017 internal audit plan was developed through a review of formal risk assessments (in conjunction with the Risk Committee and the Group’s Executive Committee) together with consideration of the Group’s key business processes and functions that could be subject to audit. A similar approach has been employed in relation to the FY 2018 internal audit plan.

The principal objectives of the internal audit plan for FY 2017 were, and remain for FY 2018:

- to provide confidence that existing and emerging key risks are being managed effectively;
- to confirm that controls over core business functions and processes are operating as intended (‘core assurance’); and
- to confirm that major projects and significant business change programmes are being adequately controlled.

During FY 2017, 15 audit reports were issued by the Group Assurance function and reviewed by the Board or the Audit Committee. Internal audit recommendations are closely monitored through to closure via a web-based recommendation tracking system, introduced in FY 2013 and updated in FY 2017, which has significantly improved the overall monitoring of internal audit recommendations to ensure these are successfully implemented in a timely manner. A summary of the status of the implementation of internal audit recommendations is made monthly to the Executive Committee and quarterly to the Audit Committee.

Risk management framework

As disclosed in the ‘Risk and uncertainties’ section on pages 36 to 40 the Risk Committee continues to meet on a quarterly basis to review the key risks facing the business. Membership of the Risk Committee, which includes representation from each of the key business functions, is detailed below:

- Company Secretary and General Counsel (Chairman)
- Group Finance Director
- Commercial and Marketing Director
- Divisional Director (Operations)
- Group HR Director
- Director of Business Change & Technology
- Group Risk Director
- Senior Legal Counsel

Key risks identified are reviewed and assessed on a quarterly basis in terms of their likelihood and impact, within the Group’s ‘Key Risk Heat Map’, in conjunction with associated risk mitigation plans. In addition, the Risk Committee review includes an assessment of the material relevance of emerging risks and the continued relevance of previously identified risks. During FY 2017, Risk Committee meetings continued to include a cross-functional, detailed review of the Group’s key risks. This process, which was introduced in FY 2016, continues to prove to be effective and adds value to the continued development and progression of the Group’s approach to evaluating new and existing risks, supported by robust mitigation plans.

Actions arising from Risk Committee meetings are followed up by the Group Risk Director. The Audit Committee reviews the Risk Committee minutes, in addition to undertaking a quarterly review of the Group’s ‘Key Risk Heat Map’.

Confidential reporting

The Group’s whistleblowing policy enables staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal. Details of the policy are set out in the Company’s Code of Ethics. The Audit Committee receives quarterly reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in FY 2017 (major issues being defined for this purpose as matters having a financial impact of greater than £100k).
External auditor appointment
Deloitte LLP was appointed as the auditor in 2011, following a formal tender process. The Audit Committee has considered the recent guidance in relation to rotation including the proposed transition rules which will be considered when recommending the appointment of the auditor in future years. The Company has complied throughout the reporting year with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. Under the terms of that Order, the Committee expects to carry out a competitive audit tender by no later than 2020 in respect of the financial year ending in 2021 to ensure the continued objectivity, independence and value for money of the statutory audit. It may choose to do so at an earlier time.

The Audit Committee considers that the relationship with the auditor is working well and is satisfied with its effectiveness and has not considered it necessary to require Deloitte LLP to re-tender for the external audit work. There are no contractual obligations restricting the Company’s choice of auditor. Following its appointment as auditor, Deloitte LLP was replaced in respect of the provision of internal audit services by PricewaterhouseCoopers LLP.

External auditor’s independence
The external auditors should not provide non-audit services where it might impair their independence or objectivity to do so. The Audit Committee has established a policy to safeguard the independence and objectivity of the Group’s auditor as set out in below. That policy has been reviewed in FY 2017 and a copy of it is appended to the Audit Committee’s terms of reference and is available on the Company’s website. Pursuant to that policy the following services have been pre-approved by the Audit Committee provided that the fees for such services do not exceed in any year more than 70% of the average audit fee paid to that audit firm over the past three years:

- audit services, including work related to the annual Group financial statements, and statutory accounts; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

Acquisition and vendor due-diligence may only be provided if it is specifically approved by the Committee on a case by case basis in advance of the engagement commencing. Any other work for which management wishes to utilise the external auditor must be approved as follows:

- services with fees less than £50,000 may be approved by the Finance Director, and
- engagements with fees over £50,000 may be approved by the Audit Committee or its Chair.

The Audit Committee remains confident that the objectivity and independence of the auditor are not in any way impaired by reason of the non-audit services which they provide to the Group.

That policy also includes an extensive list of services which the audit firm may not provide or may only provide in very limited circumstances where the Company and the audit firm agree that there would be no impact on the impartiality of the audit firm. Details of the remuneration paid to the auditor, and the split between audit and non-audit services, are set out at note 2.3 of the financial statements on page 107.

External audit annual assessment
The Audit Committee assesses annually the qualification, expertise, resources and independence of the Group’s auditor and the overall effectiveness of the audit process. The Finance Director, Company Secretary and General Counsel, Audit Committee Chairman and Group Risk Director meet with the auditor to discuss the audit, significant risks and any key issues included on the Audit Committee’s agenda during the year.

Fair, balanced and understandable statement
One of the key governance requirements of the Group’s financial statements is for the report and accounts to be fair, balanced and understandable. Therefore, upon review of the financial statements, the Audit Committee and the Board have confirmed that they are satisfied with the overall fairness, balance and clarity of the Annual Report, which is underpinned by the following:

- formal minutes of the year end working group comprised of relevant internal functional representatives and appropriate external advisers;
- clear guidance being issued to all contributors to ensure a consistent approach; and
- formal review processes at all levels to ensure the Annual Report is factually correct.

Colin Rutherford
Chairman of the Audit Committee
22 November 2017

The Going Concern and Long-Term Viability Statement can be found on pages 101 and 40 respectively.
Report on Directors’ remuneration

Imelda Walsh
Chair of the Remuneration Committee

I am pleased to present the Directors’ remuneration report in respect of the financial year, which ended on 30 September 2017.

Background and business context
Total sales over the financial year grew by £94m, with like-for-like sales growth of 1.8%, consistently ahead of the market. This strong sales performance is a result of our continued focus on our three priority areas: building a more balanced business, instilling a more commercial culture, and driving an innovation agenda.

Over 250 capital investment projects have been undertaken during the year, which have been focused on the premiumisation of the estate and the improvement of amenity. The rapid expansion of the Miller & Carter brand to over 80 locations, primarily through the conversion of existing sites, is a good example. The remodel programme in Harvester has prioritised higher levels of amenity, demonstrating that a fresh and contemporary design improves investment returns. The Company has reduced the redevelopment cycle from 11 to 12 years for each business to 6 to 7 years, an important factor in a fast moving consumer environment. As we have reviewed the estate 79 businesses were identified as not offering long-term growth potential, and these were sold during the year.

The four new operating divisions introduced in 2016 have improved our guest focus and across all businesses Net Promoter Score has increased and customer complaints have reduced. The use of social media by our guests to provide feedback is becoming ever more prevalent and therefore managing on-line reputation is important. Our Managers now have access to an online feedback consolidation tool that allows them to communicate directly and rapidly with our guests.

Progress has been made in improving operational effectiveness through the introduction of a time and attendance system, and the introduction of a system to support the long-term success of the Company through a period of market uncertainty; (ii) the policy is sufficiently flexible to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened.

Our people are fundamental to the delivery of great guest experiences and where we have consistently high employee engagement, sales growth is strongest. It is pleasing therefore that our employee engagement scores have improved by 2ppts and that retail team member turnover has reduced by 41ppts over the year. This reduction in team turnover also delivers a significant saving when the cost of recruitment, training and induction is taken into account. Providing a clear pipeline of future talent is also vitally important and over the year a further 1,300 apprentices have joined our various programmes, and our new on-line learning platform provides more flexibility for employees to learn and develop in a way that suits them and their lifestyle.

Despite the good progress made across a number of areas, the macro environment in which the business operates has been challenging, with unprecedented cost headwinds impacting the industry as a whole. The actions taken over the year have enabled a sustained return to sales growth and made it possible to mitigate a significant proportion of the previously identified cost headwinds, nevertheless the cumulative impact of these costs has resulted in adjusted Operating Profit falling by 1.3% to £314m.

Remuneration Policy Review
The current remuneration policy for Directors was approved by shareholders in January 2015 and therefore is due for renewal at the forthcoming AGM. The Committee has undertaken a thorough review of the existing Directors’ remuneration policy, taking full account of the strategic priorities of Mitchell & Butlers, and the latest developments in the external pay environment. The Committee has concluded that the current structure, comprising a base salary, benefits, pension, annual bonus and long-term incentive awards delivered in shares, and the level of quantum, remains fit for purpose. However, the Committee has determined that some amendments to the policy are appropriate to ensure, primarily, that: (i) our incentive arrangements continue to support the long-term success of the Company through a period of market uncertainty; (ii) the policy is sufficiently flexible to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened.

The key changes are set out below:

Increased flexibility in selection of bonus measures. We are proposing to allow greater flexibility in the selection of annual bonus measures, to enable us to respond better to evolving priorities over the policy period. The current policy states that at least 75% will be based on financial metrics with the balance based on non-financial or personal business metrics. Under the proposed new policy at least 50% will be based on financial objectives giving more scope to include strategic measures if appropriate. However, for 2018, 70% will be based on financial objectives – see further detail below.

Introduction of a long-term incentive plan post-vesting holding period. A post-vesting holding period will be introduced for future long-term incentive awards requiring the Executive Directors to hold the after-tax value of shares until at least five years from grant. This is intended to strengthen alignment between executives and shareholders and to reflect best practice in this area.

More stringent share ownership guidelines. The Committee believes that the achievement and maintenance of a significant level of share ownership plays an important role in aligning the interests of Directors and shareholders. The guideline will be increased to 200% of salary for the CEO and 150% for all other Directors (up from 150% for the CEO and 100% for other directors). Directors will continue to be required to retain all vested shares (net of tax) until the share ownership guideline is met. This will apply to vested deferred bonus shares as well as shares vesting from any long-term incentive plans.

2017 remuneration
The 2017 annual bonus plan had two elements, Adjusted Operating Profit (Operating Profit1) and Guest Service. Operating Profit of £314m,
was above the threshold level of £310m required for bonus under this element to begin accruing and, as a result, 3% of salary (out of 75% of salary) under this element was earned.

The primary measure of Guest Service was Net Promoter Score (‘NPS’), which is used as a survey to measure guest satisfaction. Good progress has been made and an NPS score of 59% was achieved, well above the maximum of 53% required to trigger a full pay-out under this element and as a result 25% of salary under this element was earned. In addition, as I outlined in my statement last year, the Committee intended to review performance against other guest metrics, such as TripAdvisor and guest complaints, and I am pleased to confirm that good progress has also been made in these areas. For example, the average TripAdvisor score increased from 3.5 to 3.7 and the number of complaints received also fell by over 7%. During the year the Company has also reviewed its approach to the measurement of guest satisfaction, recognising that guests are increasingly choosing to provide feedback via other channels and in particular social media. To this end a new social media monitoring tool has been introduced which enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score, and now over 80% of reviews are responded to by the management team in the business, increasing their direct engagement with their guests.

This resulted in full bonuses being earned under this element which reflected not only the strong actual NPS outcome but also the good progress in guest service overall made during 2017.

The Committee reviewed the results against the Operating Profit measure and guest service and noted the considerable impact of the cost headwinds experienced by the Company in FY 2017 and decided that awarding a bonus of 28% of salary reflected overall performance in the period.

The 2015-2017 Performance Restricted Share Plan (‘PRSP’) performance condition also had two elements, growth in adjusted earnings per share (‘EPS’) and total shareholder return (‘TSR’), with each element weighted equally. Over the performance period EPS growth was 2.3 p.a., below the threshold level of performance required for vesting (8% p.a.). TSR performance was also below the median threshold required for vesting. As a result, the awards under both elements lapsed.

**Approach for FY 2018**

**Salary**

No salary increase will apply for any Executive Director. Phil Urban’s salary will remain at £510,000 and Tim Jones’ at £426,500. Phil Urban’s salary has not increased since his appointment in September 2015 and Tim Jones’ salary was last increased in January 2015.

**Annual Bonus**

For 2018, 70% of bonus will be based on Operating Profit. The remaining 30% will be based on non-profit elements linked to the business scorecard (15% Guest Health, 10% Employee Engagement and 5% Safety), which applies to all managers across Mitchells & Butlers.

**Operating Profit (70%)**

- Half of the bonus opportunity will be payable for achieving a demanding Operating Profit target. The threshold at which bonus will begin to accrue has been set at 95% of target and full payment for this element would require very strong performance, well in excess of current market consensus.

**Non-Profit Elements (30%)**

- The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:
  - 15% for Guest Health
  - 10% for Employee Engagement
  - 5% for Safety

- The non-profit elements will only be payable if a threshold level of financial performance is achieved. For 2018 this will be set at 97.5% of the Operating Profit target, which is higher than the threshold required for payment under the Operating Profit element.

- Since 2015 the leading measure of Guest Health has been NPS and in 2017 a new social media monitoring tool was introduced enabling all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score.

- In addition, there has been an increased focus on improving the speed at which guest complaints are resolved, alongside a commitment to reducing the overall number of complaints received.

- With this in mind, for 2018 the Guest Health measure will comprise a combination of all three elements, NPS, a combined social media review score and guest complaints. Each element will have equal weighting and to achieve a maximum payment performance will need to exceed target on at least two elements and be at target or better for the third element. This rounded assessment ensures that guest service improvements are reviewed comprehensively and are not solely based on one metric.

- Mitchells & Butlers has measured employee engagement for a number of years, and a clear correlation has been established between employee engagement and guest satisfaction, which in turn has a positive impact on sales. For this reason, the Committee felt that employee engagement should form part of the bonus scheme.

- Food safety will always be a key priority and including a measure based on the proportion of our businesses that achieve a high National Food Hygiene Rating reflects our continued focus on the safe operation of our businesses. As an additional check, overall workplace safety performance will also be taken into account when determining the bonus safety outcome.

- More broadly, the Committee will continue to consider the overall performance of the Company, not just the outcome of each individual measure.

**Long-term incentives**

The market is ever more challenging and uncertain, and the Committee wants to take account of the further work the CEO is undertaking in defining plans that will further improve sales and increase efficiencies, in line with our three strategic priorities. Therefore, the Committee did not consider it appropriate to determine measures or agree targets for a long-term incentive plan at this time. This will be a matter that the Committee considers over the next few months and does not expect to make an award until after the 2018 AGM. We will consult with major shareholders prior to making any award. The performance conditions will be disclosed in full at the time of grant.

If you have any comments or questions on any element of the report, please email me, care of Craig Provett, Director of Compensation & Benefits, at remco@mbplc.com

**Imelda Walsh**

Chair of the Remuneration Committee

22 November 2017

This report has been prepared on behalf of the Board and has been approved by the Board. The report has been prepared in accordance with the Companies Act disclosure regulations (the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013) (the ‘Regulations’).
FY 2017 annual bonus
The annual bonus was based on two elements: 75% on Operating Profit and 25% on Guest Service as measured by our NPS.

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Actual</th>
<th>Result</th>
<th>Bonus Outcome (% of salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>£326m</td>
<td>£314m</td>
<td>96.2% of target</td>
<td>3</td>
</tr>
<tr>
<td>NPS</td>
<td>52%</td>
<td>59%</td>
<td>Maximum</td>
<td>25</td>
</tr>
</tbody>
</table>

Bonus payments equivalent to 28% of base salary are due to be paid to Executive Directors (£145,456 in respect of Phil Urban and £121,717 in respect of Tim Jones).

FY 2017 PRSP vesting
The PRSP awards granted in November 2014 had a performance period ending on 30 September 2017. 50% of the award was based on relative TSR performance and 50% on EPS growth.

<table>
<thead>
<tr>
<th>Total Shareholder Return relative to peer group</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median to upper quartile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below median</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Compound annual adjusted EPS growth 8% to 16% CAGR 2.3% p.a. Nil

TSR performance was below median and EPS growth of 2.3% p.a. over the period was below the threshold, therefore no part of the award vested.

FY 2017 single figure remuneration for Executive Directors (53 week Financial Year)

<table>
<thead>
<tr>
<th></th>
<th>Basic salaries £000</th>
<th>Taxable benefits £000</th>
<th>Short-term incentives £000</th>
<th>Pension related benefits £000</th>
<th>Long-term incentives £000</th>
<th>Total remuneration £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>518</td>
<td>15</td>
<td>146</td>
<td>91</td>
<td>–</td>
<td>770</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>434</td>
<td>16</td>
<td>122</td>
<td>76</td>
<td>–</td>
<td>648</td>
</tr>
<tr>
<td>Total</td>
<td>952</td>
<td>31</td>
<td>268</td>
<td>167</td>
<td>–</td>
<td>1,418</td>
</tr>
</tbody>
</table>

Approach for FY 2018

Salary
No salary increase will apply for any Executive Director. Phil Urban’s salary will remain at £510,000 and Tim Jones’ at £426,500.

Benefits and pension
No change proposed. A pension contribution (or cash equivalent) of 20% of salary will continue to apply.

Annual bonus
No change to potential quantum – 100% of salary.
Measures will be Operating Profit (70%), Guest Health (15%), Employee Engagement (10%) and Safety (5%).
Half of any bonus payable will be deferred in shares and released in equal parts after 12 and 24 months.

PRSP
Award levels remain unchanged at 200% of base salary for the Chief Executive and 140% of base salary for the Finance Director.
The measures and targets for the awards to be made for the 2018-20 cycle are still being determined by the Committee. The performance conditions will be disclosed in full at the time of grant.
A two-year holding period will be introduced for all future long-term incentive awards, to strengthen alignment between Executives and shareholders.

Share ownership guidelines
The guideline will be increased to 200% of salary for the CEO and 150% for all other Executive Directors (up from 150% for the CEO and 100% for other Executive Directors).
Directors will be required to retain all vested shares (net of tax) until the share ownership guideline is met. This will apply to vested deferred bonus shares as well as shares vesting from any long-term incentive plans.
POLICY REPORT

This section of the report sets out the Company’s Directors’ remuneration policy that will be put forward for approval in a binding vote of shareholders at the 2018 AGM on 23 January 2018. The policy will take formal effect from that date, subject to shareholder approval. It is intended that the policy will formally apply for the three years beginning on the date of approval.

Key considerations when determining the Directors’ remuneration policy

The primary objective of the Directors’ remuneration policy is to promote the long-term success of the business whilst ensuring that the Company does not pay more than is necessary. In seeking to achieve this objective, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration policy including market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Company’s risk appetite, the expectations of institutional investors and feedback from shareholders and other stakeholders.

Shareholder views

The Board remains committed to shareholder dialogue and the Remuneration Committee will consult extensively with major shareholders when considering any significant changes to our remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors’ Remuneration Report each year following the AGM. This, together with any additional feedback received from shareholders and other stakeholders from time to time, is then considered as part of the Committee’s annual review of remuneration policy and its implementation. The Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Employment conditions

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees. Where significant changes are proposed to employment conditions elsewhere in the Group, these are highlighted for the attention of the Committee at an early stage. The Committee is informed of the base pay review budget applicable to other employees and is cognisant of changes to the National Living Wage and the National Minimum Wage when considering the pay of Executive Directors.

Employees are not specifically consulted on Executive remuneration. All employees are, however, invited to take part in our annual Your Say employee engagement survey in which they have an opportunity to provide anonymous feedback on a wide range of topics of interest or concern to them. The results of the survey are reviewed by the Board; any significant concerns over remuneration would be considered separately by the Committee and, if appropriate, taken into account when determining the remuneration policy. In addition, each year an employee forum is held, which gives the opportunity for employees to ask questions of senior management, via elected representatives. The Remuneration Committee Chair will attend the forum on an annual basis to answer questions raised by employee representatives concerning Executive pay.

The Committee considers a broad range of reference points when determining policy and pay levels, these include external market benchmarks as well as internal reference points. Any such reference points are set in an appropriate context and are not considered in isolation.

The remuneration policy for Executive Directors, which is set out over the following pages supports the business needs of the Company, ensuring it promotes long-term success whilst enabling it to attract, retain and motivate senior Executives of a high calibre. The Committee is satisfied that the remuneration policy supports the Company’s strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity, this ensures that Executives have a strong alignment with shareholders through the Company’s share price.

Changes to the previous Directors’ remuneration policy

The Committee has undertaken a thorough review of the existing Directors’ remuneration policy, taking full account of the strategic objectives of Mitchells & Butlers and the latest developments in the external pay environment. The Committee has concluded that the current structure, comprising a base salary, benefits, pension, annual bonus and long-term incentive awards delivered in shares, and the overall level of quantum, remains, largely, fit for purpose. However, the Committee has determined that some important amendments to the policy are appropriate to ensure, primarily, that: (i) our incentive arrangements continue to support the long-term success of the Company through a period of market uncertainty; (ii) the policy is sufficiently flexible to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened.

The key changes are set out below:

• Increased flexibility in selection of bonus measures. We are proposing to allow greater flexibility in the selection of annual bonus measures, to enable us to better respond to evolving priorities over the policy period. The current policy states that at least 75% will be based on financial metrics with the balance based on non-financial or personal business metrics. It is proposed that the new policy requires that at least 50% is based on financial objectives giving us more scope to include strategic measures if appropriate. At the present time, the Committee intends that 70% of the bonus opportunity will be based on financial metrics.

• Introduction of a long-term incentive plan post-vesting holding period. A post-vesting holding period will be introduced for future long-term incentive awards requiring the Executive Directors to hold the after-tax value of shares until at least five years from grant. This is intended to strengthen alignment between Executives and shareholders and to reflect best practice in this area.

• More stringent share ownership guidelines. The Committee believes that the achievement and maintenance of a significant level of share ownership plays an important role in aligning interests of Directors and shareholders. The guidelines will be increased to 200% of salary for the CEO and 150% for all other Directors (up from 150% for the CEO and 100% for other Directors). Directors will continue to be required to retain all vested shares (net of tax) until the share ownership guideline is met. However, this will now also apply to vested deferred bonus shares.
### Policy table

The table below summarises each element of the remuneration policy applicable to Executive Directors.

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Performance metrics</th>
<th>Recovery or withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides a sound basis on which to attract and retain Executives of appropriate calibre to deliver the strategic objectives of the Group.</td>
<td>Salaries are normally subject to annual review, typically effective from 1 January. Salary levels may be influenced by: • role, experience or performance; • Group profitability and prevailing market conditions; and • periodic external benchmarking of similar roles at comparable companies by size and sector.</td>
<td>The general policy is to set salaries broadly around mid-market levels with increases (in percentage terms) typically in line with that of the Company’s UK workforce. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances such as when there is a change in the individual’s role or responsibility or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce. There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company’s strategy.</td>
<td>Executive Directors’ performance is a factor considered when determining salaries. Performance is reviewed in line with the established performance review process in place across the Group.</td>
<td>No recovery or withholding provisions apply.</td>
</tr>
<tr>
<td>Purpose and link to strategy</td>
<td>Operation</td>
<td>Opportunity</td>
<td>Performance metrics</td>
<td>Recovery or withholding</td>
</tr>
<tr>
<td>------------------------------</td>
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</tr>
<tr>
<td>Provides a direct link between annual performance and reward. Incentivises the achievement of key measures linked to Company strategy.</td>
<td>The Committee determines bonus payment level after the year-end by reference to performance targets previously set by the Committee. The cash element of the bonus is normally payable in December following the end of the financial year. Up to half of any bonus award is payable in cash. At least half of any bonus award is deferred as shares under the terms of the Short Term Deferred Incentive Plan (‘STDIP’) below. Key terms of the STDIP are: • Deferred bonus share awards are normally released in two equal amounts 12 and 24 months after deferral subject to continued employment (or good leaver status). • At the discretion of the Committee dividends paid between grant and vesting may accrue on vested shares. • Shares, which vest, after the settlement of income tax and national insurance must be retained until the relevant shareholding guideline has been met. Non-pensionable.</td>
<td>Currently the normal maximum payment is 100% of salary. At the discretion of the Committee, the maximum earnings potential may be increased in line with the plan rules up to 150% of salary.</td>
<td>The majority of the bonus outcome will be based on financial measures. This may be a single measure or a mix of metrics as determined by the Committee. The remainder may be based on non-financial measures or personal business objectives. The bonus measures are reviewed annually and the Committee has the discretion to vary the mix of measures or to introduce new measures taking into account the strategic focus of the Company. No bonus is payable under the financial element(s) unless a demanding threshold level of performance is achieved. As the bonus is subject to performance conditions, any deferred bonus is not subject to further performance conditions but remains subject to recovery and withholding provisions. The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company’s overall performance taking account of any factors it considers relevant. This will help ensure that payouts reflect overall Company performance during the period. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the bonus outcome.</td>
<td>Recovery and withholding provisions apply where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of payment or vesting of shares.</td>
</tr>
</tbody>
</table>
## Long Term Incentive Plan (Performance Restricted Share Plan, ‘PRSP’)

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Performance metrics</th>
<th>Recovery or withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>To align the interests of senior Executives with sustained long-term value creation.</td>
<td>Discretionary awards may be made each year, normally taking the form of nil or nominal cost options. Awards normally have a three year performance and vesting period. At the discretion of the Committee vested options may attract Dividend Accrued Shares between award and the end of the vesting or holding period. A two year post-vesting holding period applies which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay income tax and national insurance upon exercise/vesting. Shares, which vest, after the settlement of income tax and national insurance, must be retained until the relevant shareholding guideline has been met. Under the rules of the PRSP, conditional share awards may also be granted although there is currently no plan to grant such awards. Non-pensionable.</td>
<td>Currently the normal maximum annual award is up to 200% of salary. The PRSP rules include an annual award limit of 250% of salary. Any increase to the normal maximum of 200% of salary, other than in exceptional circumstances such as recruitment, would be subject to prior consultation with leading investors, if appropriate.</td>
<td>Performance is normally measured over no less than three financial years. Awards will be subject to the achievement of stretching targets designed to incentivise performance in support of the Group’s strategy and business objectives. The Committee has the flexibility to vary the mix of measures or to introduce new measures for each award, taking into account business priorities at the time of grant. For TSR and financial measures, up to 25% of that element may vest for threshold performance. The Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company’s overall performance taking account of any factors it considers relevant. This will help ensure that vesting reflects overall Company performance during the period. The Committee would seek to consult with leading investors if appropriate, before any exercise of its discretion to increase the vesting outcome.</td>
<td>Recovery and withholding provisions apply where there has been a misstatement of the accounts, or other data, or a serious misdemeanour or serious misconduct by the participant has occurred prior to payment or vesting or within two years of vesting of shares.</td>
</tr>
</tbody>
</table>

## Pension (or cash allowance)

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Performance metrics</th>
<th>Recovery or withholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide a market-aligned retirement benefit.</td>
<td>Contribution towards a Company or personal pension scheme and/or a cash allowance in lieu of Company pension contributions, or a combination of both.</td>
<td>The Company contribution is up to 20% of base salary. No performance metrics apply.</td>
<td>No recovery or withholding provisions apply.</td>
<td>No recovery or withholding provisions apply.</td>
</tr>
</tbody>
</table>
To provide competitive and market-aligned benefits to assist in retaining and attracting Executives.

Benefits normally include (but are not limited to) private healthcare, life assurance, annual health check, employee assistance programme, use of a Company vehicle or cash equivalent, and discounts on food and associated drinks purchased in our businesses. Private healthcare is provided for the Executive, spouse or partner and dependent children.

Discount vouchers are provided on the same basis to all employees and can be redeemed in any of our managed businesses provided the purchase is a personal, not a business, expense.

Executive Directors may participate in any of the Company’s all-employee share schemes (e.g. Sharesave and SIP) on the same basis as all other employees and in line with prevailing HMRC limits.

Relocation or the temporary provision of accommodation may be offered where the Company requires a Director to relocate.

Expatriate allowances may be offered where required. Travel and, if relevant, related expenses such as accommodation may be reimbursed on a gross of tax basis.

Executive Directors may become eligible for any new benefits introduced to a wider set of other Group employees.

In line with market practice, the value of benefits may vary from year to year depending on the cost to the Company from third-party suppliers.

No performance metrics apply. No recovery or withholding provisions apply other than if relocation costs were provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within two years of appointment or date of relocation.

To align the interests of the Executive Directors with shareholders and promote a long-term approach to risk management.

The Chief Executive is expected to hold and maintain Mitchells & Butlers’ shares to the value of a minimum of 200% of base salary.

Other Executive Directors are expected to hold and maintain Mitchells & Butlers’ shares to the value of a minimum of 150% of base salary.

Except for those sold to cover the acquisition cost together with the associated income tax and National Insurance contributions, Executive Directors will be required to retain shares arising from share schemes until the minimum level of ownership required has been achieved.

Only shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Deferred shares and options which are vested but unexercised, are also not included.
Notes to the policy table
Selection of performance measures and targets
The choice of performance metrics applicable to the annual bonus scheme reflect the Committee’s belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The choice of the performance conditions applicable to the PRSP awards will be aligned with the Company’s objective of delivering superior levels of long-term value to shareholders. The Committee has retained flexibility on the measures, which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would, if appropriate, seek to consult with major shareholders in advance of any material change to the choice or weighting of the PRSP performance measures.

The Committee will review the calibration of targets applicable to the annual bonus and the PRSP annually to ensure they remain appropriate and sufficiently challenging, taking into account the Company’s strategic objectives and the interests of shareholders.

Differences in remuneration policy between Executive Directors and other employees
The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long term, and ‘at risk’ with an emphasis on performance-related pay linked to business performance and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided only to the most senior Executives, as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

The Company operates HMRC-approved all-employee share plans (Sharesave and SIP) enabling all our employees to become shareholders in the Company.

Legacy arrangements
For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this remuneration policy, for example, those outstanding and unvested incentive awards which have been disclosed to shareholders in previous remuneration reports. The Committee may also approve payments outside of this remuneration policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board of Directors.

All historic awards that were granted but remain outstanding, remain eligible to vest based on their original award terms.

Incentive plan discretions
The Committee will operate the incentive plans described in the policy table according to their respective rules, the policy set out above and in accordance with the Listing Rules, applicable legislation and HMRC guidance where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of award and/or payment, subject to policy limits;
- the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends).

Any use of the above discretions would, where relevant, be explained in the annual report on Directors’ remuneration and may, as appropriate, be the subject of consultation with the Company’s major shareholders.
Chairman and Non-Executive Director fees

**Fees**

To attract and retain Non-Executive Directors of appropriate calibre and experience.

Payable in cash, four-weekly throughout the year.

Fees are normally reviewed annually with any increase usually taking effect from 1 January each year.

The Chairman’s fee is reviewed annually by the Committee (without the Chairman present).

Fee levels for the Non-Executive Directors are determined by the Company Chairman and Executive Directors by reference to companies of similar size and sector as well as time commitment and responsibilities.

Non-Executive Directors receive an additional fee for chairing a committee.

Where a Non-Executive Director undertakes additional responsibilities, other than the chairing of a committee, additional fees may be set.

Travel, accommodation and other related expenses incurred in carrying out the role will be paid by the Company including, if relevant, any gross-up for tax.

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Non-Executive Directors do not participate in the Company’s bonus arrangements, share schemes, benefit schemes (other than the all-employee discount voucher scheme) or pension plans.

**Illustrations of application of remuneration policy**

A key principle of the Group’s remuneration policy is that variable short- and long-term reward should be linked to the financial performance of the Group. The charts below show the composition of the remuneration of the CEO and Finance Director at minimum, on-target and maximum levels of performance in FY 2018.

**Chief Executive £000**

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>On-target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>614</td>
<td>1,124</td>
<td>2,144</td>
</tr>
<tr>
<td>Short-term incentives</td>
<td>-22.7%</td>
<td>22.7%</td>
<td>47.6%</td>
</tr>
<tr>
<td>Long-term incentives</td>
<td>100.0%</td>
<td>54.6%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

**Finance Director £000**

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>On-target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>518</td>
<td>880</td>
<td>1,541</td>
</tr>
<tr>
<td>Short-term incentives</td>
<td>100.0%</td>
<td>17.0%</td>
<td>38.7%</td>
</tr>
<tr>
<td>Long-term incentives</td>
<td>100.0%</td>
<td>24.2%</td>
<td>27.7%</td>
</tr>
</tbody>
</table>
The performance scenarios demonstrate the proportion of maximum remuneration which would be payable in respect of each remuneration element at each of the performance levels. In developing these scenarios the following assumptions have been made:

Minimum
Only the fixed elements of remuneration are payable. The fixed element consists of base salary, benefits and pension. Base salary is the salary effective from 1 January 2018. Benefits are based on actual FY 2017 figures and include company car, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable in respect of base salary from 1 January 2018.

On-target
In addition to the minimum, this reflects the amount payable for on-target performance under the short- and long-term incentive plans:

• 50% of maximum (50% of base salary for the Chief Executive and Finance Director) is payable under the short-term incentive plan; and
• 25% of the award (50% of base salary for the Chief Executive and 35% of base salary for the Finance Director) is payable under the long-term incentive plan.

Maximum
In addition to the minimum, maximum payment is achieved under both the short- and long-term incentive plans such that:

• 100% of base salary is payable under the short-term incentive plan for the Chief Executive and Finance Director; and
• 200% of base salary for the Chief Executive and 140% of base salary for the Finance Director is payable under the long-term incentive plan.

A breakdown of the elements included in the illustrations of application of remuneration policy is shown in the table below:

<table>
<thead>
<tr>
<th>Fixed (£000)</th>
<th>Short-term plan (£000)</th>
<th>Long-term plan (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base pay</td>
<td>Benefits</td>
<td>Pension</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>510</td>
<td>15</td>
</tr>
<tr>
<td>Finance Director</td>
<td>426.5</td>
<td>16</td>
</tr>
</tbody>
</table>

Note: The value received under the short-term plan is the gross value of awards before 50% is deferred into shares. The values received under the short-term plan and long-term incentive plan do not take into account dividend accrued shares that are payable on the vesting of awards nor any changes in share price.

Service contracts
Executive Directors’ contracts
The table below summarises key elements of the service contracts applicable to Executive Directors:

Notice period

- Executive Directors are employed under service contracts that may be terminated at any time on up to one year’s notice from the Company and on a minimum of six months’ notice from the Executive Director.
- Any payment made in lieu of notice would comprise base salary only and may be payable in instalments in line with the established salary payment dates until the expiry of the notice period or, if earlier, may be the date on which alternative employment or other engagement is secured with the same or higher base salary. If employment is secured at a lower rate of base salary, subsequent instalments of the payment in lieu of notice may be reduced by the value of alternative income.
- Service contracts contain a provision enabling the Company to put the Executive Director on garden leave after notice to terminate the service contract has been given by either party. During this period, the Executive will be entitled to base salary only.
- There is no enhanced provision on a change of control.

Termination

- If an Executive Director’s employment with the Group ends during the financial year, normally any entitlement to bonus for that year is forfeited. However, if the individual leaves by reason of ill-health, injury, disability, retirement, redundancy, death or sale of the employing business or company or if the Committee so decides in any other case, at the Committee’s discretion the Executive Director may receive a bonus pro-rated to time employed in the year or to such later date as the Committee may decide. In such circumstances, the Committee may decide, at its discretion, to pay all the bonus in cash.
- If an Executive Director ceases employment following the end of the financial year but before payment of the bonus in respect of that year, there is no entitlement to a bonus but the Committee may, at its discretion, pay a bonus for that year. Any such bonus, at the Committee’s discretion, may be all in cash.
- If an Executive Director ceases employment prior to the release of Bonus Award Shares under the STDIP for the same specified good leaver reasons as set out above, the Committee, at its discretion, may release the Bonus Award Shares (and associated Dividend Accrued Shares) at the date of termination. Otherwise, the shares will be released on the normal release date. If the Director leaves for any other reason, his entitlement to Bonus Award Shares (and associated Dividend Accrued Shares) is forfeited, unless the Committee decides otherwise.
- If an Executive Director dies before an Award under the PRSP has vested, vesting of the award (and associated Dividend Accrued Shares) will occur as soon as practicable based on performance and on a time pro-rated basis.
- If the Executive Director ceases employment for the same defined good leaver reasons as are specified above, the PRSP Award (and associated Dividend Accrued Shares) will vest following the end of the normal performance period and on a time pro-rated basis. If employment ceases for any other reason, the Award will normally lapse, unless the Committee decides otherwise (except that if employment ceases by reason of gross misconduct the PRSP Award (and associated Dividend Accrued Shares) must lapse).
- The Committee has no discretion in relation to shares or options held under the all-employee share plans (SIP and Sharesave); on termination these will vest, become exercisable or lapse in accordance with the legislation.

\[ a \] This arrangement applies to Phil Urban and any future Executive Director appointments. Any payments in lieu of notice in respect of Tim Jones, who is employed on a legacy contract, will comprise base salary and contractual benefits only.
In the event that the Company terminates an Executive Director’s service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company, and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director’s performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of that Executive Director to mitigate any loss which may be suffered as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Director’s termination package, including (without limitation): compensation for the waiver of statutory rights in exchange for the Director executing a settlement agreement; payment of the leaving Director’s legal fees in connection with his termination arrangements; and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on consultancy or other terms following cessation of his directorship.

**External directorships**

Executive Directors may accept one external Non-Executive appointment with the Company’s prior approval, as long as this is not likely to lead to conflicts of interest.

**Non-Executive Directors**

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment. Non-Executive Directors’ appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Ron Robson and Josh Levy were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 49.

Copies of both the individual letters of appointment for Non-Executive Directors and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available for shareholders to view at the 2018 AGM.

**Recruitment of Executive Directors**

Where it is necessary to appoint a replacement or additional Executive Director, the Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee and in line with our policy set out on page 70.

The maximum level of variable pay is 400% of base salary (150% in relation to annual cash bonus/STDIP and 250% in relation to the PRSP). Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus/STDIP performance measures and targets than those applicable to other Executive Directors.

Benefits (including pension, Company vehicle or cash allowance, healthcare, life assurance, health check and, where applicable, relocation assistance) would be consistent with the principles of the policy as set out on pages 72 and 73.

For an internal appointment, his or her existing pension arrangements may continue to operate (which may include participation as an employee deferred member in the defined benefit plan, which is closed to future accrual) and any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on Directors’ remuneration.

In addition to the above, the Committee may offer additional cash and/or share-based elements in order to ‘buy-out’ remuneration relinquished on leaving a former employer. In the event that such a buy-out is necessary to secure the services of an Executive Director then the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director’s previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared to the Company’s existing plans, as appropriate. Shareholders will be informed of any buy-out arrangements at the time of the Executive Director’s appointment.

**Recruitment of Non-Executive Directors**

Non-Executive Directors’ fees are set by the Chairman and Executive Directors, and the Chairman’s fee is set by the Remuneration Committee.

**Chairman**

The Committee will recommend to the Board a fee appropriate to the calibre, experience and responsibilities of the new appointee.

**Other Non-Executive Directors**

The fee will be set in line with the fee structure for Non-Executive Directors in place at the date of appointment.
ANNUAL REPORT ON REMUNERATION

This section details the remuneration payable to the Executive and Non-Executive Directors (including the Chairman) for the financial year ended 30 September 2017, and sets out how we intend to implement our remuneration policy for the 2018 financial year. This report, along with the Chair’s annual statement, will be subject to a single advisory vote at the AGM on 23 January 2018.

Committee terms of reference
The Committee’s terms of reference were last reviewed in 2016 and are available on our website.

The Committee’s main responsibilities include:

• determining and making recommendations to the Board on the Company’s executive remuneration policy and its cost;

• taking account of all factors necessary when determining the policy, the objective of which shall be to ensure remuneration policy promotes the long-term success of the Company;

• determining the individual remuneration packages of the Executive Directors and other senior Executives, and the Company Chairman;

• having regard to the pay and employment conditions across the Company when setting the remuneration of individuals under the remit of the Committee; and

• aligning Executive Directors’ interests with those of shareholders by providing the potential to earn significant rewards where significant shareholder value has been delivered.

Committee membership and operation
Committee members and their respective appointment dates are detailed in the table below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of appointment to the Committee</th>
<th>Name</th>
<th>Date of appointment to the Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imelda Walsh (Chair)*</td>
<td>11 July 2013</td>
<td>Bob Ivell</td>
<td>11 July 2013</td>
</tr>
<tr>
<td>Colin Rutherford*</td>
<td>11 July 2013</td>
<td>Eddie Irwin</td>
<td>11 July 2013</td>
</tr>
<tr>
<td>Stewart Gilliland*</td>
<td>11 July 2013</td>
<td>Josh Levy</td>
<td>20 July 2017</td>
</tr>
<tr>
<td>Dave Coplin*</td>
<td>29 Feb 2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Independent Non-Executive Directors.

Ron Robson was a member of the Committee from 11 July 2013 and stepped down on 20 July 2017.

Committee activity during the year
The Committee met five times during the year and key agenda items included the following:

October 2016
• 2017 Bonus arrangements
• 2017–2019 PRSP awards

November 2016
• 2017 Bonus targets
• 2016 Bonus outcome
• CEO pay ratio
• Review of Directors’ expenses
• Executive Director and Executive Committee salary review
• National Living Wage outlook

June 2017
• Update on governance developments
• Review of Directors’ remuneration policy

July 2017
• Remuneration policy review

September 2017
• Remuneration policy review
• LTIP arrangements
Advice to the Committee

During the year, the Committee continued to receive advice from New Bridge Street (‘NBS’), a trading name of Aon Plc. NBS was appointed following a competitive tender in 2014. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code. Total fees payable in respect of remuneration advice to the Committee in the reporting year totalled £54,7801. Aon Plc provided advice on a potential insurance product, but no fees have been paid in respect of such advice in FY 2017.

Advice was also received from the Company’s legal advisers, Freshfields Bruckhaus Deringer LLP, on the operation of the Company’s employee share schemes and on corporate governance matters. Clifford Chance LLP also provided advice in relation to pension schemes. The Committee is satisfied that the advice received from its advisers was objective and independent.

Members of management including Susan Martindale, the Group HR Director and Craig Provett, the Director of Compensation & Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are decided. The Company Chairman does not attend Board or Committee meetings when his remuneration is under review. Phil Urban and Tim Jones were present at meetings where the Company’s long and short-term incentive arrangements and share schemes were discussed. However, each declared an interest in the matters under review.

1. Fees are shown net of VAT. 20% VAT was paid on the advisers’ fees shown above.

Statement of voting at AGM

At the last AGM (held on 24 January 2017), the resolution on the Annual Report on Remuneration received the following votes from shareholders:

<table>
<thead>
<tr>
<th>Votes cast</th>
<th>Votes for %</th>
<th>Votes against %</th>
<th>Votes withheld %</th>
</tr>
</thead>
<tbody>
<tr>
<td>357,469,741</td>
<td>99.91</td>
<td>0.09</td>
<td>4,987,454</td>
</tr>
</tbody>
</table>

a. The ‘For’ vote includes those giving the Company Chairman discretion.

b. A vote withheld is not a vote in law and is not counted in the calculation of the votes ‘For’ or ‘Against’ the resolution.

Votes ‘For’ and ‘Against’ are expressed as a percentage of votes cast.

Pay outcomes

The tables and related disclosures set out on pages 79 to 83 on Directors’ remuneration, deferred annual bonus share awards (‘STDIP’), PRSP share options, Share Incentive Plan and pension benefits have been audited by Deloitte LLP.

Directors’ remuneration

The tables set out the single figure remuneration received by the Executive Directors and the Non-Executive Directors during the reporting year. Figures shown for 2017 are on a 53 week basis. Details of performance under the annual bonus plan are set out on pages 80 and 81.

Executive Directors

<table>
<thead>
<tr>
<th></th>
<th>Basic salaries £000</th>
<th>Taxable benefits £000</th>
<th>Short-term incentives £000</th>
<th>Pension related benefits £000</th>
<th>Long-term incentives £000</th>
<th>Loss of office £000</th>
<th>Total remuneration £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>518</td>
<td>15</td>
<td>146</td>
<td>91</td>
<td>76</td>
<td>–</td>
<td>770</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>434</td>
<td>16</td>
<td>122</td>
<td>76</td>
<td>75</td>
<td>–</td>
<td>648</td>
</tr>
<tr>
<td>Sub-total Executive</td>
<td>952</td>
<td>31</td>
<td>268</td>
<td>167</td>
<td>164</td>
<td>–</td>
<td>1,418</td>
</tr>
</tbody>
</table>

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Report on Directors’ remuneration continued

Non-Executive Directors

<table>
<thead>
<tr>
<th></th>
<th>Fees</th>
<th>Taxable benefits</th>
<th>Short-term incentives</th>
<th>Pension related benefits</th>
<th>Long-term incentives</th>
<th>Loss of office</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Bob Ivell</td>
<td>290</td>
<td>284</td>
<td>4</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>294</td>
</tr>
<tr>
<td>Ron Robson</td>
<td>53</td>
<td>52</td>
<td>0</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>53</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>63</td>
<td>62</td>
<td>1</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>64</td>
</tr>
<tr>
<td>Eddie Irwin</td>
<td>53</td>
<td>52</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>53</td>
</tr>
<tr>
<td>Colin Rutherford</td>
<td>138a</td>
<td>62</td>
<td>1</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>139</td>
</tr>
<tr>
<td>Imelda Walsh</td>
<td>63</td>
<td>62</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>63</td>
</tr>
<tr>
<td>Josh Levyb</td>
<td>53</td>
<td>45</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>54</td>
</tr>
<tr>
<td>Dave Coplinc</td>
<td>53</td>
<td>30</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>54</td>
</tr>
<tr>
<td>Keith Brownd</td>
<td>53</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>53</td>
</tr>
<tr>
<td>Douglas McMahoni</td>
<td>–</td>
<td>7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7</td>
</tr>
<tr>
<td>Sub-total</td>
<td>819</td>
<td>656</td>
<td>8</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>827</td>
</tr>
<tr>
<td>Total Executive Directors and Non-Executive Directors</td>
<td>1,771</td>
<td>1,590</td>
<td>39</td>
<td>39</td>
<td>268</td>
<td>167</td>
<td>164</td>
</tr>
</tbody>
</table>

Note: All 2017 figures are shown on a 53 week basis.

a. Taxable benefits for the year comprised car allowance, health care, taxable expenses and the award of free shares under the all-employee SIP to Tim Jones as set out on page 82.
b. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
c. The base salary for Phil Urban is £510,000 and for Tim Jones £426,500. The figures set out are the actual salaries received over the financial year, which had 371 days.
d. Taxable benefits for Non-Executive Directors include cash payments made or accounted for by the Company relating to the reimbursement of expenses (and the value of personal tax on those expenses).
e. This amount includes the additional fee approved by the Board and paid in respect of the work carried out by Mr Rutherford in leading the Company’s discussions with the trustee of the Company’s two defined benefit schemes which resulted in the agreement of the 2016 triennial valuations of those schemes as described more fully on page 83 of the Annual Report.
f. Josh Levy joined the Board on 13 November 2015.
g. Dave Coplin joined the Board on 29 February 2016.
h. Keith Browne joined the Board on 22 September 2016.
i. Douglas McMahoni stepped down from the Board on 13 November 2015.

Annual performance bonus and STDIP

The annual bonus and STDIP operate as set out in the policy section of this report. Details of the measures and targets applying to the 2017 plan are set out below:

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>Threshold – 95% of Target (% of salary payable)</th>
<th>99% of Target (% of salary payable)</th>
<th>Target (% of salary payable)</th>
<th>Maximum – 105% of Target (% of salary payable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Operating Profit (£) – 75%</td>
<td>£310m (0%)</td>
<td>£323m (10%)</td>
<td>£356m (30%)</td>
<td>£356m (75%)</td>
</tr>
<tr>
<td>Guest Service: (NPS average % score over the year) – 25%</td>
<td>51 (6.25%)</td>
<td>52 (12.5%)</td>
<td>53 (25%)</td>
<td></td>
</tr>
</tbody>
</table>

* Payout is on a straight-line basis between points.

Operating profit

In determining the Operating Profit target range the Committee took into consideration a range of factors, such as the general economic and market outlook, an assessment of the significant future cost headwinds facing the business and internal plans. These cost headwinds included increases to national living wage, an increase in business rates, the impact of the depreciation of sterling following the result of the referendum on the UK’s membership of the European Union on food and drink costs, the in-year cost of the capital plan and the planned mitigating actions. Target was set broadly in line with the 2016 out-turn and market consensus, with an award towards the maximum level requiring significant outperformance over and above the Company’s business plan.

The Group delivered Operating Profit of £314m which was above the threshold level of performance required for bonus to begin accruing under this element and has resulted in a pay-out of 5% of base salary. The Operating Profit outcome reflected strong sales performance over the year with total sales increasing by £94m to £2,180m. Like-for-like sales growth of 1.8% consistently outperformed the market with noticeable improvements across almost our entire brand portfolio. The actions taken under each of our strategic priorities have not only seen a return to sustained sales growth but have also enabled a significant proportion of the cost headwinds to be mitigated, and as a result the fall in Operating Profit was limited to £10m in the year (on a 52 week basis), a credible performance in the circumstances.

Guest Health

NPS was the lead measure of Guest Health in 2017 with progress against other guest metrics such as Trip Advisor and complaints also taken into consideration to ensure a rounded and more comprehensive assessment.
The NPS targets were set at the start of the financial year and were based on a new survey that included a more robust method of collecting data and therefore result validity. The old survey required team members to encourage guests to leave feedback at the end of their visit. The new survey solicits feedback from guests in several ways, for example via e-mail after booking on line or through one of our brand apps. This means that surveys are more likely to be completed away from the business and after a period of time has elapsed, which can impact how the survey is answered. It also means that significantly more surveys are completed; each week c. 25,000 guests are invited to leave feedback.

At the point the targets were set, the new survey had been in place for a relatively short period and therefore historic data was limited. The 51 to 53 target range set by the Committee was stretching based on this historic data and insights from the data provider. The actual achievement for the year was a score of 59 and therefore significantly ahead of the maximum target set. With the benefit now of a year’s worth of data, the Committee looked carefully at the original targets and the significant degree of outperformance achieved. Therefore, the Committee viewed as particularly important a more comprehensive review of Guest Health measures whilst acknowledging a substantial year-on-year improvement in NPS has been delivered.

The progress made in overall Guest Health is demonstrated by an improvement in TripAdvisor scores from 3.5 in 2016 to 3.7 by the end of 2017 (and a 37 point increase in TripAdvisor response rates, an increase of over 70,000 responses), and a 7% reduction in the number of complaints received.

During the year the Company has also reviewed its approach to the measurement of guest satisfaction, recognising that Guests are increasingly choosing to provide feedback via other channels and in particular social media. To this end, a new social media monitoring tool has been introduced which enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score, and now over 80% of reviews are responded to directly by pub and restaurant management teams.

The Committee believes the bonus outcome under the Guest Health element reflects the NPS outcome, when considered alongside the good progress made in other measures of Guest Health.

As a result, bonus payments equivalent to 28% of base salary are due to be paid to Executive Directors (£145,546 in respect of Phil Urban and £121,717 in respect of Tim Jones).

In line with our policy, half of the bonus award will be deferred into shares under the STDIP, which will be released in two equal amounts after 12 and 24 months, and shares must be retained until the relevant shareholding guideline has been met.

**Long-term incentives vesting during the year**

During FY 2015 awards were made to Tim Jones and the former CEO, Alistair Darby, under the terms of the PRSP to the value of 140% and 200% of their respective base salaries. The performance condition had two independent elements; compound annual adjusted EPS growth and TSR performance against a group of sector peers, measured over the three year performance period ending 30 September 2017.

The table below summarises performance against each element of the performance condition.

<table>
<thead>
<tr>
<th>2015-2017 PRSP – performance conditions</th>
<th>Target**</th>
<th>Actual</th>
<th>% vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shareholder Return relative to peer group*</td>
<td>Median to upper quartile</td>
<td>Below median</td>
<td>Nil</td>
</tr>
<tr>
<td>Compound annual adjusted Earnings Per Share ('EPS') growth</td>
<td>8% to 16% CAGR</td>
<td>2.3%p.a.</td>
<td>Nil</td>
</tr>
</tbody>
</table>

* Comprising the constituents of the FTSE All Share Travel and Leisure index.
** Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.

As TSR performance fell below the median performance of the comparator group and EPS fell below the threshold level of growth required, the FY 2015 plan awards will lapse in full.

**Long-term incentive awards made in FY 2017**

An award was made to the Chief Executive and Finance Director in November 2016 in accordance with the rules of the PRSP and within the approved Directors’ remuneration policy.

The independent elements of the performance measure for this award, each of which accounts for 50% of the award, are summarised below:

<table>
<thead>
<tr>
<th>Threshold vesting target*</th>
<th>Maximum vesting target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compound annual adjusted Earnings Per Share ('EPS') growth (measured before separately disclosed items and other adjustments)</td>
<td>25% will vest if the compound annual EPS growth is 4%.</td>
</tr>
<tr>
<td>100% will vest if compound annual EPS growth is at least 8%.</td>
<td></td>
</tr>
<tr>
<td>2. Total Shareholder Return ('TSR') relative to a peer group of comparator companies**</td>
<td>25% will vest for TSR performance equivalent to the median of the comparator group.</td>
</tr>
<tr>
<td>100% will vest for TSR performance equivalent to the upper quartile of the comparator group.</td>
<td></td>
</tr>
</tbody>
</table>

* Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.
** Comprises the constituents of the FTSE All Share Travel & Leisure group.

The EPS and TSR conditions are measured over three years from the start of the financial year in which they are granted, i.e. the three financial years from 25 September 2016, ending in September 2019.

As set out in last year’s report, the EPS target range has a threshold level of performance set at 4% growth p.a. and maximum set at 8% growth p.a. The Committee believed that this target range was demanding in the context of the earnings forecast at the time of the award, given the significant cost challenges the business faced.

The TSR element of the award is also subject to a share price underpin and awards may only be exercised where the Mitchells & Butlers share price has equalled or exceeded the share price at the date of award within six months of the vesting date. If this condition is not met, then the TSR-related awards will lapse.
Performance measurement under the PRSP, which is not re-tested, is reviewed and certified by the Company’s auditor. Details of awards made to Executive Directors under the PRSP are set out below.

### Options awarded during the year to 30/09/17

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Options awarded during the year to 30/09/17</th>
<th>Basis of award (% of Basic Annual Salary)</th>
<th>Award date</th>
<th>Market price per share used to determine the award (p)</th>
<th>Actual/ planned vesting date</th>
<th>Latest lapse date</th>
<th>Face value* (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>397,970</td>
<td>200</td>
<td>24/11/16</td>
<td>256.3</td>
<td>Nov 19</td>
<td>Nov 21</td>
<td>979,404</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>232,968</td>
<td>140</td>
<td>24/11/16</td>
<td>256.3</td>
<td>Nov 19</td>
<td>Nov 21</td>
<td>573,334</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>630,938</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*R Face value is the maximum number of shares that would vest (excluding any dividend shares that may accrue) if the performance measure (as described above) is met in full, multiplied by the middle market quotation of a Mitchells & Butlers share on the day the award was made (266.1p).

The aggregate option price of each award is £1.

### All-employee SIP and Sharesave

The table below shows the awards made to Directors under the free share element of the SIP during the year. No awards were made to Directors under the Sharesave plan during FY 2017.

### SIP

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares awarded during the period 25/09/16 to 30/09/17</th>
<th>Award date</th>
<th>Market price per share at award (p)</th>
<th>Normal vesting date</th>
<th>Market price per share at normal vesting date (p)</th>
<th>Lapsed during period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>1,551</td>
<td>21/6/17</td>
<td>232</td>
<td>21/6/20</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>1,322</td>
<td>21/6/17</td>
<td>232</td>
<td>21/6/20</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,873</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Directors’ entitlements under the Partnership Share element of the SIP are set out as part of the Directors’ interests’ table on page 83.

### PRSP, STDIP and other share awards

The table below sets out details of the Executive Directors’ outstanding awards under the PRSP, STDIP and Sharesave (SAYE).

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Scheme</th>
<th>Number of shares at 24 September 2016</th>
<th>Granted during the period</th>
<th>Date of grant</th>
<th>Lapsed during the period</th>
<th>Exercised during the period</th>
<th>Number of shares at 30 September 2017</th>
<th>Date from which exercisable</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>PRSP</td>
<td>61,738</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>61,738</td>
<td>Nov 2017</td>
<td>Nov 2019</td>
</tr>
<tr>
<td></td>
<td>PRSP</td>
<td>381,022</td>
<td></td>
<td>Jun 2016</td>
<td>–</td>
<td>–</td>
<td>381,022</td>
<td>Nov 2018</td>
<td>Nov 2020</td>
</tr>
<tr>
<td></td>
<td>PRSP</td>
<td>397,970</td>
<td>Nov 2016</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>397,970</td>
<td>Nov 2019</td>
<td>Nov 2021</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>447,732</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>845,702</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tim Jones</td>
<td>PRSP</td>
<td>144,162</td>
<td></td>
<td>Nov 2013</td>
<td>144,162</td>
<td>–</td>
<td>144,162</td>
<td>Nov 2016</td>
<td>Nov 2018</td>
</tr>
<tr>
<td></td>
<td>PRSP</td>
<td>161,856</td>
<td></td>
<td>Nov 2014</td>
<td>–</td>
<td>–</td>
<td>161,856</td>
<td>Nov 2017</td>
<td>Nov 2019</td>
</tr>
<tr>
<td></td>
<td>PRSP</td>
<td>223,048</td>
<td>Jun 2016</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>223,048</td>
<td>Nov 2018</td>
<td>Nov 2020</td>
</tr>
<tr>
<td></td>
<td>PRSP</td>
<td>232,968</td>
<td>Nov 2016</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>232,968</td>
<td>Nov 2019</td>
<td>Nov 2021</td>
</tr>
<tr>
<td></td>
<td>SAYE</td>
<td>2,743</td>
<td>Jun 2014</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,743</td>
<td>Oct 2017</td>
<td>Mar 2018</td>
</tr>
<tr>
<td></td>
<td>SAYE</td>
<td>2,486</td>
<td>Jun 2015</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,486</td>
<td>Oct 2018</td>
<td>Mar 2019</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>534,295</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>620,358</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. 50% of the PRSP award is subject to a TSR condition and the other 50% is subject to adjusted EPS growth targets.
b. Shares awarded to Phil Urban on joining the Company as Chief Operating Officer in January 2015.
c. The 2015-17 plan will lapse in November 2017.
Update on forecast performance of other PRSP awards
2016-2018 PRSP
Based on current earnings forecasts and TSR performance to the end of FY 2017, the Committee does not anticipate that there will be any vesting at the end of the 2018 financial year.

2017-2019 PRSP
With two performance years remaining, the position could change but specifically in relation to the EPS measure, the significant additional cost challenges and a more detailed assessment of the timing and impact of investment, result in a forecast level of vesting below the threshold level.

Directors’ interests
Executive Directors are expected to hold Mitchells & Butlers shares in line with the shareholding guideline set out in the Remuneration Policy report.

The proposed remuneration policy has a share ownership guideline that requires the Chief Executive to accumulate Mitchells & Butlers shares to

With two performance years remaining, the position could change but specifically in relation to the EPS measure, the significant additional cost challenges and a more detailed assessment of the timing and impact of investment, result in a forecast level of vesting below the threshold level.

The interests of the Directors in the ordinary shares of the Company as at 30 September 2017 and at 24 September 2016 are as set out below:

<table>
<thead>
<tr>
<th>Director</th>
<th>Wholly owned shares without performance conditions</th>
<th>Shares with performance conditions</th>
<th>Unvested options/ awards without performance conditions</th>
<th>Unvested options/ awards with performance conditions</th>
<th>Vested but unexercised options</th>
<th>Total shares/options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td>53,042  31,306</td>
<td>4,972  4,972</td>
<td>840,730  442,760</td>
<td></td>
<td></td>
<td>898,744  479,038</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>80,461  76,518</td>
<td>2,486  5,229</td>
<td>617,872  529,066</td>
<td></td>
<td></td>
<td>700,819  610,813</td>
</tr>
<tr>
<td>Bob Ivell</td>
<td>12,006  12,006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,006  12,006</td>
</tr>
<tr>
<td>Stewart Gilliland</td>
<td>11,000  11,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,000  11,000</td>
</tr>
<tr>
<td>Eddie Irwin</td>
<td>30,974  30,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30,974  30,000</td>
</tr>
<tr>
<td>Colin Rutherford</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imelda Walsh</td>
<td>7,500   7,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,500   7,500</td>
</tr>
<tr>
<td>Dave Coplin</td>
<td>2,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Josh Levy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keith Browne</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>196,983 168,330</td>
<td>7,458   10,201</td>
<td>1,458,602 971,826</td>
<td></td>
<td></td>
<td>1,663,043 1,150,357</td>
</tr>
</tbody>
</table>

a. Includes Free Shares and Partnership Shares granted under the SIP
b. Options granted under the Sharesave as detailed in the table on page 82 and deferred bonus awards granted under the STDIP
c. Options granted under the PRSP as detailed in the table on page 82.

Directors’ shareholdings (shares without performance conditions) include shares held by persons closely associated.

The above shareholdings are beneficial interests and are inclusive of Directors’ holdings under the Share Incentive Plan (both Free Share and Partnership Share elements).

Tim Jones acquired 110 shares under the Partnership Share element of the Share Incentive Plan between the end of the financial year and 22 November 2017. There have been no changes in the holdings of any other Directors since the end of the financial year.

None of the Directors has a beneficial interest in the shares of any subsidiary or in debenture stocks of the Company or any subsidiary.

The market price per share on 30 September 2017 was 252.0p and the range during the year to 30 September 2017 was 221.0p to 287.8p per share.

The Executive Directors as a group beneficially own 0.03% of the Company’s shares.

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Fees for external directorships
No external Non-Executive directorships were held by either Executive Director during the year to 30 September 2017.

Payment for loss of office
No payments for loss of office were made in the year ending 30 September 2017.

Payments to past Directors
No payments were made to any past Directors in the year ending 30 September 2017.

TSR performance graph
The Company’s TSR performance for the last eight financial years is shown below against the FTSE 250 index and the FTSE All Share Travel & Leisure index. The FTSE 250 index has been chosen to show TSR performance as the Company is a member of the FTSE 250. The FTSE All Share Travel & Leisure index is shown as this is the TSR comparator group used for the long-term incentive plan.

Total shareholder return from September 2009 to September 2017 (rebased to 100)

This graph shows the value, by 30 September 2017, of £100 invested in Mitchells & Butlers plc on 26 September 2009, compared with the value of £100 invested in the FTSE 250 and FTSE All Share Travel & Leisure Indices on the same date.
In our case, the CEO single figure comprises fixed pay and bonus only given that no long-term incentive vested in respect of performance. We believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst the comparator group as they are hourly paid, largely part-time and do not participate in any bonus plans. The CEO figures do not include LTIP awards or pension benefits that are disclosed in the single figure table.

**CEO pay ratios**

Last year the Committee decided to include the pay ratio between the CEO and the median pay of other employees, reflecting emerging best practice. Since then the Government has responded to its consultation on corporate governance and will seek to introduce secondary legislation that will require quoted companies to publish the ratio of their CEO’s pay to that of the workforce. The Committee awaits the Government’s precise method of calculation.

However, given our decision to publish a ratio last year and using the same approach, based on the CEO single figure set out on page 79, the ratio of pay to the median of all other employees is 1.63 (2016 1.44). The increase in the ratio between the pay of the CEO and other employees largely reflects the annual bonus payable to the CEO in 2017, in 2016 no bonus was paid.

Although wages and salaries have increased for all employee groups, overall earnings have fallen, as a result of fewer hours being worked on average each week, as the Company improves scheduling efficiency across all sites. In assessing our pay ratio versus likely ratios from industry peers, we believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst this group. In our case, the CEO single figure comprises fixed pay and bonus only given that no long-term incentive vested in respect of performance ending in FY 2017. We also recognise that ratios will be influenced by levels of employee pay, and in the hospitality sector, despite significant increases over the past year, employee pay will be lower than in many other sectors of the economy.

### CEO earnings history

<table>
<thead>
<tr>
<th>Year ended</th>
<th>25/09/10</th>
<th>24/09/11</th>
<th>29/09/12</th>
<th>28/09/13</th>
<th>27/09/14</th>
<th>26/09/15</th>
<th>24/09/16</th>
<th>30/09/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single figure remuneration (£000)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>613</td>
<td>770</td>
</tr>
<tr>
<td>Annual bonus outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTIP vesting outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alistair Darby</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single figure remuneration (£000)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>982</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Annual bonus outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>71.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTIP vesting outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>n/a</td>
<td>n/a</td>
<td>19.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Bob Ivell</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single figure remuneration (£000)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>557</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Annual bonus outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>n/a</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTIP vesting outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>n/a</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Jeremy Blood</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single figure remuneration (£000)</td>
<td>–</td>
<td>397</td>
<td>–</td>
<td>50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Annual bonus outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>n/a</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTIP vesting outcome (% of max)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>n/a</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Adam Fowle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single figure remuneration (£000)</td>
<td>1,315</td>
<td>483</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Annual bonus outcome (% of max)</td>
<td>87.6</td>
<td>16.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>LTIP vesting outcome (% of max)</td>
<td>16.2</td>
<td>24.2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The change in CEO remuneration is compared to the change in average remuneration of all full time salaried employees, which includes house managers, assistant managers and kitchen managers employed in our businesses. Salaried employees with part-year service in either FY 2016 or FY 2017 have been excluded from the comparison figures. Retail staff employees have been excluded from the comparator group as they are hourly paid, largely part time and do not participate in any bonus plans. The CEO figures do not include LTIP awards or pension benefits that are disclosed in the single figure table.

### Change in remuneration of the CEO

<table>
<thead>
<tr>
<th>Salary (£)</th>
<th>Taxable benefits (£)</th>
<th>Bonus (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>510,000</td>
<td>15,134</td>
</tr>
<tr>
<td>Salaried employees</td>
<td>31,572</td>
<td>704</td>
</tr>
</tbody>
</table>

### Note

a. Alistair Darby formally took up the position of CEO on 12 November 2012 following a short period of induction and handover. The figure shown reflects the date of his appointment to the Board (8 October 2012).
b. Figure shown is up to and including 11 November 2012 as Bob Ivell remained Executive Chairman to this date.
c. The Director was not a participant in the plan.
d. Jeremy Blood was not a participant in the short-term incentive plan; at the discretion of the Board a payment of £100,000 was made in respect of his contribution as Interim Chief Executive. This payment is included in the single remuneration figure (£397,000) above. Earnings exclude the fee payable for the period 26 September 2010 to 14 March 2011 during which Mr Blood served as a Non-Executive Director.
e. Earnings disclosed are to 15 March 2011 when Mr Fowle stepped down as CEO.
Employee pay includes base salary, incentive payments, employer’s pension contributions and benefits. Employees with part-year service have been excluded from the comparison figures. Employee pay does not include earnings from tips and service charge, from which many employees benefit. It is Mitchells and Butlers policy to pass all earnings from tips and service charge on to employees in full.

In addition to the elements of pay included in the above pay ratio calculation the Company also invests in employees in other ways. Our employees are fundamental to the delivery of great guest experiences and therefore a truly engaged workforce is important. For over a decade, Mitchells and Butlers has sought the views of employees through our annual ‘Your Say’ employee engagement survey. What this survey consistently tells us is that whilst pay is a very important element of the overall employee proposition, there are other factors that are also important to our employees. The opportunity to learn and develop is one of these and the Company has invested heavily in this area in the past year. Over 1,250 employees are now undertaking an apprenticeship with us, over a number of programmes, from guest service to culinary skills through to management. Underpinning all of our learning and development activity is the new learning system introduced during the year, which provides an innovative and interactive way for employees to learn and develop, both on job and on-line, in a way that is convenient and flexible.

Another important factor is employee recognition, which can take many forms, and the Company supports employees in a number of ways, such as our recognition programme which allows managers to reward great performance in the moment and also service milestones, from one year of service upwards. In addition, all employees can benefit from a generous employee discount and become shareholders through our Share Incentive Plans.

**Relative importance of spend on pay £m**

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries*</td>
<td>577</td>
<td>625</td>
<td>+8.3%</td>
</tr>
<tr>
<td>Principal taxes**</td>
<td>155</td>
<td>167</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Pension deficit contributions</td>
<td>49</td>
<td>46</td>
<td>-6.1%</td>
</tr>
<tr>
<td>Debt service</td>
<td>198</td>
<td>190</td>
<td>+4.2%</td>
</tr>
<tr>
<td>Cash Dividend and Share Buy Back</td>
<td>50</td>
<td>12</td>
<td>-61.3%</td>
</tr>
</tbody>
</table>

* From note 2.3, Accounts, excludes share-based payments. ** Business Rates, Corporation Tax, Employer’s NI.

Figures shown for wages and salaries consist of all earnings, including bonus. In FY 2017, £2m (0.3%) was paid to Executive and Non-Executive Directors (2016 £2.1m (0.36%)).

The increase in wages and salaries is primarily a result of NMW and NLW.

**Details of service contracts and letters of appointment**

Details of the service contracts of Executive Directors are set out below.

<table>
<thead>
<tr>
<th>Director</th>
<th>Contract start date</th>
<th>Unexpired term</th>
<th>Notice period from Company</th>
<th>Minimum notice period from Director</th>
<th>Compensation on change of control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phil Urban*</td>
<td>27/09/15</td>
<td>Indefinite</td>
<td>12 months</td>
<td>6 months</td>
<td>No</td>
</tr>
<tr>
<td>Tim Jones</td>
<td>18/10/10</td>
<td>Indefinite</td>
<td>12 months</td>
<td>6 months</td>
<td>No</td>
</tr>
</tbody>
</table>

* Phil Urban became Chief Executive and joined the Board on 27 September 2015. His continuous service date started on 5 January 2015, the date on which he joined the Company as Chief Operating Officer.

**Non-Executive Directors**

Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment which provide that they are initially appointed until the next AGM when they are required to stand for election. In line with the Company’s Articles, all Directors, including Non-Executive Directors, will stand for re-election at the 2018 AGM. This is also in line with the recommendations set out in paragraph B. 7.1 of the Code. Non-Executive Directors’ appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Ron Robson and Josh Levy were appointed to the Board pursuant to the terms of the Piedmont Deed of Appointment, information on which is set out on page 49.

Copies of both the individual letters of appointment for Non-Executive Directors, and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available to shareholders to view at the 2018 AGM.
Implementation of Remuneration Policy in FY 2018

Executive Directors’ salary review

No salary increase will apply for any Executive Director. Phil Urban’s salary will remain at £510,000 and Tim Jones’ at £426,500. Phil Urban’s salary has not increased since his appointment in September 2015 and Tim Jones’ salary was last increased in January 2015.

Annual performance bonus

The maximum bonus opportunity will be 100% of salary for the Chief Executive and Finance Director with 70% of bonus to be based on Operating Profit and the remaining 30% on non-profit elements linked to the business scorecard.

<table>
<thead>
<tr>
<th>Weighting</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit</td>
<td>70% Bonus will begin to accrue at threshold with half of the bonus payable for on-target performance, reflecting the demanding nature of the targets set by the Committee. Full payment would require very strong performance, well in excess of current market consensus.</td>
</tr>
<tr>
<td>Guest Health</td>
<td>15% Guest Health will comprise three measures, each with an equal weighting:</td>
</tr>
<tr>
<td></td>
<td>• NPS – a well-established measure of Guest Health, will continue to be assessed in FY 2018.</td>
</tr>
<tr>
<td></td>
<td>• Social media – The social media monitoring tool, introduced in 2017 enables all social media reviews, including TripAdvisor, Facebook and Google, to be combined into a single review score.</td>
</tr>
<tr>
<td></td>
<td>• Guest complaints – There has been an increased focus on improving the speed at which guest complaints are resolved, alongside a commitment to reducing the overall number of complaints received. Therefore, an assessment of guest complaints will be included in assessing Guest Health.</td>
</tr>
<tr>
<td></td>
<td>Combining NPS with an assessment of social media reviews and guest complaints provides a more holistic review of Guest Health. To achieve a maximum payment, performance will need to exceed target on at least two elements, and be at target or better, for the third element.</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>10% Mitchells &amp; Butlers has measured employee engagement for a number of years, and a clear correlation has been established between employee engagement and guest satisfaction, which in turn has a positive impact on sales. For this reason, the Committee has decided to include employee engagement in the bonus scheme.</td>
</tr>
<tr>
<td>Safety</td>
<td>5% Food safety will always be a key priority and including a measure based on the proportion of our businesses that achieve a high National Food Hygiene Rating reflects our continued focus on the safe operation of our businesses. An agreed food safety score must be achieved for this part of the bonus to pay out and, as an additional check, overall workplace safety will also be taken into account when determining the outcome.</td>
</tr>
</tbody>
</table>

The non-profit elements will only become payable if a certain level of Operating Profit has been achieved. For 2018, this has been increased to 97.5% of target which is ahead of the threshold required for payment under the Operating Profit measure.

More broadly, the Committee will continue to consider the overall performance of the Company, not just the outcome of each individual measure. All bonus targets are considered to be commercially sensitive and will not be disclosed in advance. However, retrospective disclosure of targets and performance against them will be provided in next year’s Directors’ remuneration report.

The bonus structure for all Managers across Mitchells & Butlers is linked to the above business scorecard.

Performance Restricted Share Plan (PRSP)

PRSP awards with a face value of 200% and 140% of base salary will be made to the Chief Executive and Finance Director respectively. The measures and targets for the award for the 2018-20 cycle are still being determined as set out in the Chair’s statement at the beginning of this report.

Measures and targets will be subject to consultation with major shareholders and will be disclosed in full at the time of grant.

Reflecting good practice in this area, a two-year post-vesting holding period will be introduced for the PRSP awards to be made in 2018 and for all future long-term incentive awards, thereby strengthening alignment between executives and shareholders.

Share ownership guideline

The guideline has been increased to 200% of salary for the Chief Executive and 150% of salary for the Finance Director. Consistent with the previous policy, Directors will be required to retain all vested shares (net of tax) until the share ownership guideline is met.

Non-Executive Directors’ fee review

There will be no change to the Chairman and Non-Executive Director fee levels in 2018.

Imelda Walsh
Chair of the Remuneration Committee
22 November 2017