



**Bob Ivell** Chairman

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](http://www.frc.org.uk), and for maintaining appropriate relations with shareholders.

The Company is reporting against the 2016 edition of the Code. A revised Code was published in July 2018, which will become effective for accounting periods beginning on or after 1 January 2019. The key changes between the 2016 and 2018 Codes are:

- enhanced board engagement with the workforce and wider stakeholders;
- a clear business strategy aligned with a healthy corporate company culture;
- a high-quality and diverse board composition; and
- proportionate executive remuneration that supports the long-term success of the business.

The Board will examine current practices in relation to the requirements of the 2018 Code and will report in relation to them at the appropriate time.

**🔗 The latest financial information for Mitchells & Butlers and its group of companies is included in the 2018 Annual Report and Accounts (of which this corporate governance statement forms part) and which is available online at: [www.mbplc.com/investors](http://www.mbplc.com/investors)**

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 29 September 2018 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 64 to 67 and page 60 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 2018. 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**

Except 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 2018. In September 2018, the Company announced that Stewart Gilliland had informed the Board of his intention to step down from the Board and the Board has commenced a process of identification and recruitment of a replacement.

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 2018, 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.

The information required by Disclosure Guidance and Transparency Rule ('DGTR') 7.1 is set out in the Audit Committee report on pages 64 to 67. 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 50 to 55.

### 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 2018 there were ten scheduled Board meetings. There were also four meetings of the Audit Committee, six meetings of the Remuneration Committee and two meetings of the Nomination Committee. The table opposite 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.

Full attendance was recorded for all Directors in respect of all Board and Committee meetings during FY 2018, but where Directors are unable to attend a meeting (whether of the Board or one of its Committees), they are provided with all the papers and information relating to that meeting and are 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 2019.

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 2018,

the Company Secretary also co-ordinated the externally facilitated performance evaluation of the Board, details of the output of which are set out at page 63. The appointment and removal of the Company Secretary is a matter reserved for the Board.

### Attendance levels at Board and Committee meetings

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Directors who served during the year</b>				
Bob Ivell	10 (10)	n/a	6 (6)	2 (2)
Keith Browne	10 (10)	n/a	n/a	n/a
Dave Coplin	10 (10)	4 (4)	6 (6)	2 (2)
Stewart Gilliland	10 (10)	4 (4)	6 (6)	2 (2)
Eddie Irwin	10 (10)	4 (4)	6 (6)	2 (2)
Tim Jones	10 (10)	n/a	n/a	n/a
Josh Levy	10 (10)	n/a	6 (6)	n/a
Ron Robson	10 (10)	4 (4)	n/a	2 (2)
Colin Rutherford	10 (10)	4 (4)	6 (6)	2 (2)
Phil Urban	10 (10)	n/a	n/a	n/a
Imelda Walsh	10 (10)	4 (4)	6 (6)	2 (2)

### Directors

The following were Directors of the Company during the year ended 29 September 2018:

		Date appointed	Date of change of role
<b>Directors who served during the year</b>			
Bob Ivell	Independent Non-Executive Director <sup>1</sup>	09/05/11	14/07/11
	Interim Chairman <sup>1</sup>	14/07/11	26/10/11
	Executive Chairman	26/10/11	12/11/12
	Non-Executive Chairman	12/11/12	–
Keith Browne <sup>2</sup>	Non-Executive Director	22/09/16	–
Dave Coplin	Independent Non-Executive Director	29/02/16	–
Stewart Gilliland	Independent Non-Executive Director	23/05/13	–
	Senior Independent Director	02/02/15	–
Eddie Irwin <sup>2</sup>	Non-Executive Director	21/03/12	–
Josh Levy <sup>3</sup>	Non-Executive Director	13/11/15	–
Tim Jones	Finance Director	18/10/10	–
Ron Robson <sup>3</sup>	Non-Executive Director	22/01/10	–
	Deputy Chairman	14/07/11	–
Colin Rutherford	Independent Non-Executive Director	22/04/13	–
Phil Urban	Chief Executive	27/09/15	–
Imelda Walsh	Independent Non-Executive Director	22/04/13	–

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, details of which are on the Company's website [www.mbplc.com](http://www.mbplc.com). 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. The exception to this is Stewart Gilliland who plans to step down from the Board by the end of December 2018 and consequently will not be standing for re-election at the AGM in January 2019. Their biographical details as at 21 November 2018 are set out on pages 48 and 49, 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. As at the date of this Annual Report, neither of the Executive Directors held any such external directorship.

#### 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 61) 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. He will be stepping down from the Board by the end of December 2018 and will not be submitted for re-election at the 2019 AGM. The Board has commenced a process of identification and recruitment of a replacement.

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. The base fee for Non-Executive Directors will increase by 2% to £53,000 per annum and the fee paid to Non-Executive Directors for chairing a Committee or for the role of Senior Independent Director will increase to £13,000 per annum, both changes to take effect from 1 January 2019.

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.

### 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 64 to 67 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 68 to 91.

#### 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. The Board has agreed to set out a detailed Board succession plan and that will be considered by the Nomination Committee in FY 2019.

During the year, the Nomination Committee considered the composition of the Board and, following the year end, has assessed the outcome of the externally facilitated Board effectiveness review which was carried out during the financial year now reported on. More details of the conclusions of that review are on page 63. 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.

### Diversity and Inclusion Steering Group and Board Diversity Policy

The Company has a Diversity and Inclusion Steering Group which examines the implementation of diversity within the Group.

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 29 September 2018. 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 Mitchells & Butlers Diversity Policy, which applies to diversity in relation to employees of the Mitchells & Butlers Group, can be found in the corporate social responsibility section on pages 32 to 37.

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/](http://www.mbplc.com/investors/businessconduct/boardcommittees/)

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

	Appointment date	Member at 29/09/18
Bob Ivell (Chair)	11/07/13	Y
Dave Coplin	29/02/16	Y
Stewart Gilliland	11/07/13	Y
Eddie Irwin	11/07/13	Y
Ron Robson	11/07/13	Y
Colin Rutherford	11/07/13	Y
Imelda Walsh	11/07/13	Y

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 managers, 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 comprises 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 and Dennis Deare (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 administrative 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 regular 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 comprises 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 2018, the work of the Pensions Committee focused primarily on the discussions with the Trustee of the Mitchells & Butlers Pension Plan in relation to application of an inflation linked increase to pensions in October 2018 in the context of the Company's instruction to the Trustee to apply a CPI-related increase as set out in note 4.5 of the Group financial statements, and of the Trustee's application to court for rectification of the Trust Deed and Rules of that plan as referred to at note 4.5 of those financial statements.

### 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 2018 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](http://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 in line with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and 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 38 to 42. More details of the work of the Risk Committee are included in the Audit Committee report on pages 64 to 67.

- 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 voting rights of Piedmont Inc. and Elpida Group Limited are set out in the Directors' report on page 51.

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 the year, the Board carried out a Board Effectiveness Review which was facilitated by Mrs Ffion Hague of Independent Board Evaluation. Mrs Hague carried out detailed interviews of the Board members and presented her conclusions to a meeting of the whole Board. The Board has considered those conclusions carefully and noted, in particular, that the feedback was that the Board was performing well with a good mix of skills and experience and that Board meetings allow for good debate and discussion. The principal Committees of the Board were also noted to be working well. As regards areas for further development, the Board has agreed that it will review its composition and develop a more formal succession plan for both the Board and the senior leadership group with continued focus on gender and ethnic diversity. That plan is presently being prepared for formal consideration by the Nomination Committee and the full Board. The Board has also agreed to improve the degree of formality around its Pensions Committee and Nomination Committee so that they are brought more in line with the Audit Committee and the Remuneration Committee. The Board has also noted and agreed to review and update its longer-term strategic plan, building on the outputs of the business improvement activities referred to in the Chief Executive's Report on page 14. The final recommendations relate to clarifying and simplifying some of the Board's regular reports and these are being implemented during the current financial year.

The annual appraisal of the Chairman's performance was conducted by the Senior Independent Director, Stewart Gilliland, with the independent Non-Executive Directors (without the Chairman present) and the conclusions fed back to the Chairman. The principal conclusions of that review were that Mr Ivell's performance remains highly constructive and that the level of Mr Ivell's involvement was of benefit to the Company noting that the relationship between the Chairman and CEO is critical. Annual reviews of the Chairman's performance will continue to be conducted as required by the Code. Further, as indicated above, 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 53.