Dear fellow shareholder

I have pleasure in updating you on our progress in corporate governance over the past year.

During FY 2020, the Company had to deal with an unprecedented set of circumstances as Covid-19 impacted our business, the UK economy and the world. A full discussion of the adjustments made to our corporate strategy and the measures taken by the Board to mitigate the effects of Covid-19 on the business are given in the Chief Executive's business review on pages 10 to 12. The Corporate Governance Statement on pages 59 to 69 describes the existing governance arrangements already in place, with additional information where Covid-19 required changes to our usual practice.

As at 26 September 2020, the Company had more than 42,500 employees and one of the key roles for the Board is to provide leadership for them and maintain the highest possible standards of corporate governance.

In addition to Covid-19 considerations, one of the key changes from last year's report has been that the Company is now required to report under the 2018 UK Corporate Governance Code (the '2018 Code'), published in July 2018. For FY 2019 the Company was permitted to report under the previous Corporate Governance Code 2016 ('2016 Code'), but in the interests of good governance, the Board decided to report under both the 2016 Code and, to the extent it was able, the 2018 Code. A detailed review of the 2018 Code was therefore undertaken a year earlier than required, which had the advantage of highlighting any areas requiring attention before compliance became mandatory.

The 2018 Code places greater emphasis on relationships between companies, shareholders and stakeholders. It also promotes the importance of establishing a corporate culture that is aligned with the Company's purpose and business strategy, promotes integrity and values diversity. Some of these aspects of the 2018 Code are reflected in the Strategic report on pages 8 to 44, which sets out the Group's strategy, progress and performance for the year. Meanwhile, the effects of the corporate governance aspects of the 2018 Code are reflected in the Corporate Governance Statement on pages 59 to 69, which sets out the Company's compliance against published governance requirements.

During the year, the Board as a whole continued to work together to implement in a cohesive way the Company's published strategy, up until March 2020 when Covid-19 required a re-evaluation of the Company's priorities in the midst of a pandemic.

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 will continue to be on maintaining a strong team, with a broad range of professional backgrounds, experience from both within our sector and in other industries and businesses and communication skills to drive further improvements where possible. From a governance standpoint, and with the exception of Covid-19 emergency arrangements, most of the basic governance arrangements already in place are unchanged from FY 2019 and are replicated in this year's report, as the Board was very firm in its view that a stable Board was the highest priority in a time of crisis. Consequently, certain aspects of non-compliance with the 2018 Code could not be, and were not, addressed in FY 2020. These deviations from the 2018 Code are fully explained on page 63 within the Corporate Governance Statement.

The 2018 Code states that there should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors and that the chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years. An externally facilitated review of the Board's effectiveness took place in 2018 and the results were published in the 2018 Annual Report and Accounts, with the next externally facilitated review being due for reporting in the 2021 Annual Report and Accounts. For the 2020 Annual Report and Accounts, the evaluation of the Chairman's performance was undertaken by the Senior Independent Director in dialogue with the whole Board (other than the Chairman). Also, in FY 2020, the Company undertook an internal Board effectiveness review which was led by the Chairman, with support from the Company Secretary and General Counsel, and the results of this are given on page 69 of this report.

The remainder of this Corporate Governance Statement contains the narrative reporting required by the 2018 Code, the Listing Rules and the Disclosure Guidance and Transparency Rules. I hope that you find this Corporate Governance Statement 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 (normally via our Investor Roadshow programme which has necessarily been more limited during lockdown restrictions).

The Annual General Meeting will be held in March 2021. The arrangements for holding the AGM will depend on Covid-19 restrictions likely to be in force at the time and will be set out in detail in a separate Notice of AGM, which will be despatched in February 2021.

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 looks to re-build the business with appropriate regard to the Covid-19 restrictions and continues to focus on driving future profit growth and creating additional shareholder value.

BOB IVELL
Chairman
Mitchells & Butlers plc

For the Company's latest financial information
Go to www.mbplc.com/investors

A strong leadership team

BOB IVELL
Non-Executive Chairman
R,N,M,C,P

Appointed to the Board in May 2011, Bob has over 40 years of extensive food and beverage experience with a particular focus on food-led, managed restaurants, pubs and hotels. He is currently a Non-Executive Director of Charles Wells Limited and a Board member of UK Hospitality. 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 Carpetright plc, 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, the Pensions Committee, the Market Disclosure Committee and the Corporate Responsibility Committee.

PHIL URBAN
Chief Executive
M,E,P

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).

TIM JONES
Chief Financial Officer
M,E,P

Tim was appointed Chief Financial Officer 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.

KEY TO COMMITTEE MEMBERSHIP
A Audit Committee
R Remuneration Committee
N Nomination Committee
M Market Disclosure Committee
E Executive Committee
C Corporate Responsibility Committee
P Pensions Committee

KEITH BROWNE
Non-Executive Director
P

Appointed as a Non-Executive Director in September 2016, Keith is a nominated shareholder representative of Elpida Group Limited, a significant shareholder in Mitchells & Butlers. He is a Non-Executive Director of Grove Limited, the holding company of Barchester Healthcare Limited. 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.

DAVE COPLIN
Independent Non-Executive Director
A,R,N,C

Appointed as an independent Non-Executive Director in February 2016, Dave is the CEO and founder of The Envisioners Limited, he 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 is also a Non-Executive Director of the Pensions and Lifetime Savings Association as well as Vianet Group plc.

EDDIE IRWIN
Non-Executive Director
A,R,N,C

Appointed as a Non-Executive Director in March 2012, Eddie is a nominated shareholder representative 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 Limited, 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 Chartered Governance Institute.

JOSH LEVY
Non-Executive Director
R,P

Appointed as a Non-Executive Director in November 2015, Josh is a nominated shareholder representative of Piedmont Inc., a significant shareholder in Mitchells & Butlers. Josh is Chief Executive of Ultimate Finance Group, Chairman of Avenue Insurance and a Director of Tavistock Group. Josh previously worked in the Investment Banking Division of Investec Bank and holds an MSc and a BA (Hons) from the University of Nottingham.

JANE MORIARTY
Independent Non-Executive Director
A,R,N,C

Appointed as an independent Non-Executive Director in February 2019, Jane is a Fellow of the Institute of Chartered Accountants in Ireland, and currently a Director of NG Bailey Group Limited, Quarto Group Inc., Martin's Investments Limited and Nyrstar NV. Jane was previously a senior advisory partner with KPMG LLP.

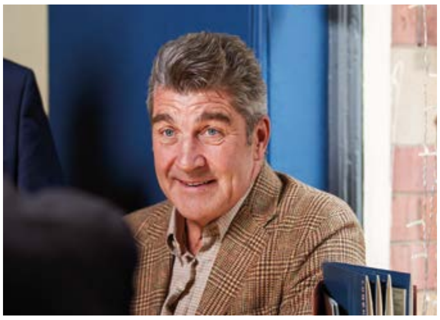
SUSAN MURRAY
Senior Independent Director
A,R,N,C

Appointed as Senior Independent Director in March 2019, Susan has served on the boards of Compass Group plc, Pernod Ricard SA, Imperial Brands plc, Wm Morrison Supermarkets plc and EI Group plc and is a former Council Member of the Advertising Standards Authority. She is currently a Non-Executive Director, and Chair of the Remuneration Committee of Hays plc and Grafton Group plc, and a member of the supervisory board of William Grant & Sons Holdings Limited. In her executive career, amongst other roles, Susan was Director of International Marketing of Grand Metropolitan's IDV business, Worldwide President and Chief Executive of Smirnoff's vodka business and subsequently Chief Executive of Littlewoods.

KEY TO COMMITTEE MEMBERSHIP
A Audit Committee
R Remuneration Committee
N Nomination Committee
M Market Disclosure Committee
E Executive Committee
C Corporate Responsibility Committee
P Pensions Committee

RON ROBSON
Deputy Chairman
A,N,C

Appointed as Deputy Chairman in July 2011, Ron is a Non-Executive Director of Tottenham Hotspur Limited and an executive director of Clyde Munro Group Limited. Ron 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 Ron 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
A,R,N,M,C,P

Appointed as an independent Non-Executive Director in April 2013, Colin is also an independent Non-Executive Director of NewRiver REIT plc and US based Evofem Biosciences Inc, amongst his other activities. For over 30 years Colin has served as Chairman, Director or Corporate Adviser to various other public and private companies in the UK and overseas, and he has directly relevant experience in the hospitality and leisure sector. He has been a member of the Institute of Chartered Accountants of Scotland since 1983. Colin is Chairman of the Audit Committee and serves on all other independent governance committees.

IMELDA WALSH
Independent Non-Executive Director
A,R,N,C,P

Appointed as an independent Non-Executive Director in April 2013. Imelda was a Non-Executive Director, and Chair of the Remuneration Committee, of Aston Martin Lagonda Global Holdings plc from 2018 to 2020, FirstGroup plc from 2014 to 2020, William Hill plc from 2011 to 2018, Mothercare plc from 2013 to 2016 and Sainsbury's Bank plc from 2006 to 2010. Imelda 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.

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

For FY 2020, the Board is reporting under the 2018 Code. Further information is set out in the Strategic report which examines the 'purpose' aspect of the 2018 Code and in the Corporate Governance Statement, which describes the Company's culture and practices in relation to the 2018 Code.

For the Company's latest financial information

Go to www.mbplc.com/investors

The Directors present their report on the affairs of the Group and the audited financial statements for the 52 weeks ended 26 September 2020. The Business review and Sustainability review of the Company and its subsidiaries are given on pages 10 to 12 and pages 18 to 19 respectively 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 32 to 38 and 68 to 69, 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 30 and 31.

The Company's Directors pay due regard to the need to foster the Company's business relationships with suppliers, guests and others. Details of the Company's engagement process with various stakeholders and different tiers of suppliers, together with the effect of that regard on the principal decisions taken by the Company during the financial year, are set out in the section discussing the Company's business model on pages 20 to 23.

This report has been prepared under current legislation and guidance in force at the year end date. In addition, the material contained on pages 8 to 44 reflects the Directors' understanding of the requirement to provide a Strategic report.

This report has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come or who becomes aware of it and any such responsibility or liability is expressly disclaimed.

AREAS OF OPERATION

During FY 2020 the Group had activities in, and operated through, pubs, bars and restaurants in the United Kingdom and Germany, until 20 March 2020 when the UK Government announced a directive to close all pubs and restaurants with immediate effect as part of measures to control the spread of Covid-19. A similar order had been made in Germany on 16 March 2020. Our businesses in Germany started to reopen in mid-May 2020 and, following guidance from the UK Government and the Northern Ireland Assembly, our businesses started to open in England and Northern Ireland on 4 July 2020 followed by our businesses in Wales and Scotland starting to reopen from 13 July 2020 and 15 July 2020 following guidance from the Welsh and Scottish Governments respectively.

A full list of the Company's subsidiaries and their respective country of operation is given on page 151 of the Annual Report.

SHARE CAPITAL AND VOTING RIGHTS

The Company's issued ordinary share capital as at 26 September 2020 comprised a single class of ordinary shares of which 429,201,117 shares were in issue and listed on the London Stock Exchange (28 September 2019 428,577,760 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 2,487,431 shares. Details of movements in the issued share capital can be found in note 4.7 to the financial statements on page 148.

Each share carries the right to one vote at general meetings of the Company. The notice of the Annual General Meeting will specify deadlines for exercising voting rights in relation to the resolutions to be proposed at 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 £53,245 were allotted under all-employee schemes as permitted under Section 549 of the Companies Act 2006. 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 85 in the Report on the Directors' remuneration.

DIVIDENDS

No Final Dividend will be paid in respect of the financial year ended 26 September 2020 (FY 2019 nil). No Interim Dividend was paid during the year (FY 2019 nil). On 12 June 2020, the Company announced that following agreement on a number of new financing arrangements which provide a platform of both additional liquidity and improved financial flexibility for the Group in order to meet the challenge presented by Covid-19, the Group has agreed not to pay an external dividend, undertake any share buy-backs or repurchase bond debt until the end of the financial year to September 2021, at the earliest.

INTERESTS IN VOTING RIGHTS

As at 26 September 2020, the Company was aware of the significant holdings of voting rights (3% or more) in its shares shown in Table 1 below.

Table 1: Interests in voting rights as at 26 September 2020

Shareholder	Ordinary shares	% of share capital*	
Piedmont Inc.	116,234,517	27.08	Direct holding
Elpida Group Limited	100,840,659	23.49	Direct holding
Smoothfield Holding Limited	19,021,589	4.43	Direct holding

* Based on the total voting rights figure as at 26 September 2020 of 429,201,117 shares.

The following changes took place between 27 September 2020 and 25 November 2020:

- Standard Life Aberdeen plc notified the Company on 29 October 2020 that its indirect holding was 21,499,735 shares (5.01%); on 9 November 2020 that its indirect holding was 23,638,014 shares (5.51%) and on 23 November 2020 that its indirect holding was 24,398,876 shares (5.68%).

DIRECTORS

Details of the Directors as at 25 November 2020 and their biographies are shown on pages 48 to 51. The Directors as at 26 September 2020 and their interests in shares are shown on page 85.

There were no changes to the Board of Directors during the period nor subsequent to the period 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 the best practice guidance of the 2018 Code) all the Directors will retire at the Annual General Meeting and will offer themselves for re-election.

MAJOR SHAREHOLDER BOARD REPRESENTATION

The Board maintains excellent relations with its two major shareholders, whose investment objectives are fully aligned with those of the Group and of other shareholders. These two major shareholders maintain a dialogue via their representatives on the Board, all of whom are careful to ensure that there is no conflict between their roles as representatives of shareholders and their duty to the Board. The two largest shareholders have continued to be very supportive of the Board throughout the period of significant disruption caused by the impact of the Covid-19 pandemic on the Group's activities and as the Group has sought to re-establish its normal operating and trading pattern.

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 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.

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. That Deed of Appointment also entitles Piedmont Inc. to appoint one Director to sit on the Nomination Committee and to have a Director attend, and receive all the papers relating to, meetings of the Remuneration Committee.

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 period, and is currently in force. The Company also purchased and maintained throughout the period Directors' and Officers' liability insurance in respect of itself and its Directors and the directors of any subsidiary of the Company. 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.

There were no related party transactions in FY 2020.

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 in Table 2 below.

Table 2: Provisions which apply in the event of a takeover or reconstruction

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

EMPLOYMENT POLICIES

The Group employed an average of 44,466 people in FY 2020 (FY 2019 45,560). Through its diversity policy, the Company seeks to ensure that every employee, without exception, is treated equally and fairly and that all employees are aware of their responsibilities.

Our policies and procedures fully support our disabled colleagues. We take active measures to do so via:

- a robust reasonable adjustment policy;
- disability-specific online resources (accessible via the Group's online recruitment system); and
- processes to ensure colleagues are fully supported.

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 working environment where possible, in order to keep the employee with the Group. It is the policy of the Group that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE ENGAGEMENT

Details of how the Company addressed employee engagement and wellbeing issues, along with workplace arrangements, arising from the disruption caused in FY 2020 by the Covid-19 pandemic are set out in the summary of Covid-19 responses on pages 59 to 61.

Mitchells & Butlers engages with its employees on a regular basis 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 Mitchells & Butlers online learning platform;
- 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. In line with the requirements of the 2018 Code, the Board agreed that Dave Coplin will act as a link to the Board for employees in order to strengthen the 'employee voice' at the Board. This involves attending employee forums, focus groups and Company awards and providing feedback on values and behaviours, employee development and upskilling and ensuring that feedback is listened to and acted upon where appropriate.

We provide opportunities for employees to give their feedback to the Company in a number of ways, from team or shift meetings in restaurants, bars and pubs and engagement surveys for all employees to the Mitchells & Butlers 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.

The Company's online learning platform, Mable, has become well embedded since its launch in 2017, with circa 23,000 logins per month and close to 900,000 course completions every year. Having also developed our own in-house digital design team, we are now able to create effective, engaging learner content very cost effectively. In parallel, this has proved extremely helpful during the Covid-19 lockdowns, with colleagues able to continue to grow their skills, and allowing us to roll out Covid-19 secure training very efficiently and effectively.

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). Further details on the plans are set out in the Report on Directors' remuneration. These plans were temporarily suspended during FY 2020 due to over 99% of the Company's workforce being furloughed during the launch window.

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.

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. A total of 750,000 shares in the Company were purchased by the employee benefit trust during FY 2020.

RESPONSIBLE ALCOHOL POLICY

Mitchells & Butlers operates the Challenge 21 policy in all our businesses across England and Wales, a Challenge 25 policy in our Scottish businesses and similar policies in Northern Ireland and Germany. The policy requires that any guest attempting to buy alcohol who appears under the age of 21 in England, Wales or Northern Ireland (or 25 in Scotland) must provide an acceptable form of proof of age ID to confirm that they are over 18 before they can be served. We employ similar policies across the various regions of Germany in order to comply with local laws.

All of these policies form part of our regular training for our employees on their responsibilities for serving alcohol.

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 2021 AGM to make limited donations or incur limited political expenditure, although it has no intention of using the authority.

MODERN SLAVERY ACT 2015

In accordance with the requirements of the Modern Slavery Act, during the period the Board reviewed, updated and approved the Company's Modern Slavery Act compliance statement, which was signed on behalf of the Board by Phil Urban. A copy of that statement can be accessed on the Company's website, www.mbplc.com

This statement covers the Company's commitment to operating and conducting its business in such a way that human rights are respected and protected. Mitchells & Butlers will not permit or condone any form of slavery, servitude, forced or compulsory labour or human trafficking. It clearly states how the Company is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its businesses and this is reflected in the Mitchells & Butlers Modern Slavery & Human Trafficking Policy and Supplier Code of Conduct. The statement also covers due diligence processes for slavery and human trafficking, supply chain accountability, Company accountability including ethical and socially responsible conduct in the workplace, training and information and reviewing key performance indicators to measure how effective we have been to ensure that slavery and human trafficking is not taking place in any part of our business and supply chain, in terms of record keeping and actions taken to strengthen supply chain due diligence, auditing and verification.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting will be contained in a circular to be sent to shareholders in the early part of 2021 and will include 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.

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 £250m of unsecured committed bank facilities (increased by £100m during the year as a result of the Covid-19 pandemic). Further information regarding these arrangements is set out on page 44 and is also included in note 4.2 to the financial statements on page 133. 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. As set out on page 39 (Assessment of viability) and the note to the financial statements on Going Concern, as part of the refinancing arrangements entered into during FY 2020 a number of waivers and amendments were agreed, as described on page 104.

The Group prepares a rolling daily cash forecast covering a six week period, a fortnightly update on six month forward-looking cash forecasts 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. Short-term cash management is optimised through regular discussions considering projected cash inflows and outflows.

GOING CONCERN

The financial statements which appear on pages 90 to 160 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 Directors have also assessed the impact of the possible adverse impact on financial performance, specifically revenue and cash flows, of restrictions imposed by Government in response to the outbreak of Covid-19. 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. Given the very high degree of uncertainty resulting from the Covid-19 pandemic and resulting restrictions placed on trading in the hospitality sector, a material uncertainty therefore exists, which may cast significant doubt over the Group's ability to trade as a going concern. This uncertainty stems directly from a lack of clarity on both the extent and the duration of current tiering, local and national lockdowns and operating restrictions, such as social distancing measures, limitations on party sizes and reduced opening times, all of which have an impact on consumers' ability and willingness to go out and, therefore, the Group's operational performance translating to sales and EBITDA that determine the Group's covenant compliance. Notwithstanding the material uncertainty highlighted above, after due consideration the Directors have a reasonable expectation that the Company and the Group have sufficient resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on the going concern basis. See section 1 of the financial statements on page 104 for the Company's going concern statement, and page 39 for the Company's long-term viability statement.

MATERIAL VALUATION UNCERTAINTY

The effects of the Covid-19 pandemic have disrupted activities across all real estate property markets, increasing uncertainties as to valuations which the Group's valuers, CBRE, need to take into consideration. As a consequence, CBRE has included in its valuation report of the Group's UK freehold and long leasehold properties wording to reflect that there is a material valuation uncertainty. This clause is included on a precautionary basis and does not mean that reliance cannot be placed on their valuation. It has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in Covid-19, CBRE have also highlighted the importance of the valuation date (26 September 2020).

EVENTS AFTER THE BALANCE SHEET DATE

The post-balance sheet date events are referred to at note 5.4 of the Group's financial statements on page 153.

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 have increased by 4.9% primarily due to the impact of Covid-19 on our turnover. This has negatively impacted our intensity ratio.

The following information in relation to Mitchells & Butlers' carbon reporting disclosure was prepared by SMS plc, who offer a range of environmental and energy consultancy services aimed at reducing consumption and lowering our carbon footprint.

Assessment parameters

Assessment year	FY 2020
Consolidation approach	Financial control
Boundary summary	All bars and restaurants either owned or under operational control during FY 2020 were included.
Scope	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: **Scope 1** – 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. **Scope 2** – GHG emissions from the generation of purchased electricity used during kitchen activity and for lighting, heating and cooling. **Scope 3** – 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).
Consistency with the financial statements	Scope 1 and 2 emissions are reported for FY 2020 whereas 2018/19 data is reported under the tax year. Going forward all reporting is intended to align with Mitchells & Butlers' financial year, in line with good practice. Franchise sites are excluded as they are responsible for arranging and paying for their own energy. Alex sites in Germany are included. Emissions are based on UK average emissions multiplied by the number of Alex sites. These sites make up the non-UK aspect of this report.
Exclusions	**Scope 1** – Wood, coal and charcoal are excluded because collectively they amount to less than 1% of total emissions which falls below the materiality threshold.
Emission factor data source	All carbon emission factors used are sourced from the UK Government's 'Greenhouse gas reporting: conversion factors 2020'.
Assessment methodology	Environmental Reporting Guidelines: including Streamlined Energy and Carbon Reporting Guidelines March 2019.
Materiality threshold	All emission types estimated to contribute >1% of total emissions are included.
Estimation	Scope 1 – Fugitive Emissions are estimated on the basis of industry benchmarking.
Intensity threshold	Emissions are stated in tonnes CO_2e 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.
Target	Emissions during the 2018/19 tax year are provided for comparative purposes. It should be noted that this year's reporting is based on FY 2020 as part of a move towards best practice and will be reported by reference to financial years in the future.

Energy efficiency action taken

At the beginning of our financial year we undertook a proof of concept project to engage with staff on measures that can be adopted to reduce energy use and the associated carbon output. Unfortunately, the onset of lockdown measures significantly impacted on our ability to replicate this across the wider estate and our plan is to revisit options for energy efficiency actions based on our previous learnings from this project once lockdown measures have eased and our operations return to normality.

Global GHG emissions and energy use data for FY 2020

	Current reporting year FY 2020			Comparison reporting year 2018/19*			
	UK and offshore	**Global (excluding UK and offshore)**	**Total**	UK and offshore	Global (excluding UK and offshore)	Total	% Change year-on-year
Scope 1 tCO_2e	**78,000**	**1,936**	**79,936**	–	–	84,388	-5.3%
Scope 2 tCO_2e	**62,963**	**1,595**	**64,558**	–	–	118,696	-45.6%
Total Scope 1 & 2 emissions tCO_2e	**140,963**	**3,531**	**144,494**	–	–	203,084	-28.9%
Energy Consumption used to calculate the above emissions: kWh	**659,958,694**	**16,556,529**	**676,515,223**	–	–	–	–
Intensity Ratio: tCO_2e/turnover(£m)	**–**	**–**	**98.0**	–	–	93.4	4.9%

* Note that the requirement to report underlying energy use and the split between UK and Global emissions was brought in last year under SECR guidelines and is only applicable for the FY 2020 reporting period onwards.

DISCLOSURE OF INFORMATION TO AUDITOR

Having made the requisite enquiries, so far as the Directors are aware, specifically those who are a Director at the date of approval of the Annual Report, 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.

This report, which includes the Strategic report, has been approved by the Board and is signed on its behalf.

GREG McMAHON
Company Secretary and General Counsel
25 November 2020

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 is 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 Accounts, 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 25 November 2020 and is signed on its behalf by:

TIM JONES
Chief Financial Officer
25 November 2020

This Corporate Governance Statement sets out our report to shareholders on the status of our corporate governance arrangements.

BOB IVELL
Chairman

The Board is responsible for ensuring that the activities of the 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, compliance with the applicable UK Corporate Governance Code, which is issued by the Financial Reporting Council and which is available at www.frc.org.uk, and maintaining appropriate relations with shareholders and other stakeholders.

The latest financial information for Mitchells & Butlers and its group of companies is included in the 2020 Annual Report and Accounts (of which this Corporate Governance Statement forms part) and which is available online at: www.mbplc.com/investors

This includes a statement on the Company's reaction to the Covid-19 pandemic and measures taken to ensure the safety of the business and its guests. This statement may be found on pages 10 to 12 of the Strategic report. Additional corporate governance measures were also rapidly implemented in order to monitor the changing situation and ensure compliance with the legal obligations arising therefrom.

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 (the former are normally released in May but were released in July 2020 due to the Covid-19 pandemic and the latter are normally released in November), 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 Chief Financial Officer 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.

At the January 2020 Annual General Meeting, the Company had three resolutions where 20% or more of votes cast were cast against the resolution. These were in respect of the re-election of Eddie Irwin, Josh Levy and Ron Robson and resulted in the Company featuring in the Investment Association's public register of shareholder dissent. The Company's response to its inclusion in that register can be found in the register itself and on the Company's website www.mbplc.com.

While it is understood that the votes against were the result of their status as representatives of our two largest shareholders, the Company continues to believe that the statements made in that response remain true. Further, the response required to deal with the threat posed to the business by Covid-19 means that changes to the Board are not currently being considered.

No changes to the Board were made during the year and the Board currently consists of twelve members, five of whom are independent Non-Executive Directors (including three female independent Non-Executive Directors). A more detailed explanation is set out at page 63.

CORPORATE GOVERNANCE MEASURES IMPLEMENTED IN FY 2020 IN RESPONSE TO COVID-19

This section of the Corporate Governance Statement sets out in summary form the governance arrangements, employee wellbeing arrangements and the physical workplace implications which were implemented by the Company in relation to the Covid-19 pandemic and the closure of its businesses in the UK and Germany, their subsequent reopening and ongoing further disruptions.

Governance arrangements:

In my Chairman's Statement on pages 8 and 9, I made reference to the measures the Board took in relation to the Covid-19 pandemic and, in particular, how our well established strong corporate governance procedures enabled the organisation to react quickly to the Government guidance and the risk the pandemic posed to the organisation. This Corporate Governance Statement now gives further insight into the governance changes which were rapidly implemented in response to the changing situation.

Following the start of the Covid-19 pandemic, the Group continued with its scheduled cycle of Board meetings, although these were held by way of virtual meetings or, where this was not practicable, by telephone in order, in each case, to avoid the need for face-to-face meetings and in compliance with the advice of the UK Government that meetings should not take place. In order to ensure that the Directors who participated in these meetings had the benefit of all appropriate up-to-date information, formal Board papers were prepared and made available electronically to all participants. There were also presentations to those meetings by external advisers and representatives of those leading the industry consultation with Government representatives. These Board meetings were minuted in the ordinary way. There were Board meetings held in March, April, May, June, July and September (in line with the normal phasing of Board meetings), together with weekly briefing reports sent by the Chief Executive to the Board.

The formal Committees of the Board also continued to meet during the period of closure, with the exception of the Nomination Committee as there were no matters for consideration which fell within its remit. The Audit Committee met in May, June and September and the matters which it considered are referred to in the Audit Committee Report on pages 70 to 73. The Remuneration Committee met in March, April, July and September and the matters which it considered are referred to in the Report on the Directors' remuneration on pages 74 to 89.

In addition, from March to August 2020, the Chairman, Chief Executive, Chief Financial Officer and the Company Secretary and General Counsel held virtual meetings each week, to assess developments and to ensure that any potentially announceable events were identified and considered in the context of the Disclosure Guidance and Transparency Rules and the Listing Rules. In some cases these included the benefit of participation by the Company's external legal advisers. The matters considered in these meetings and the agreed actions were reported regularly to the Board.

The Executive Committee, the principal operational decision-making forum of the Company, which reports to the Board, moved to virtual meetings for its usual scheduled meetings in March, May, August and September. In addition, regular scheduled calls were held (initially daily and subsequently weekly), and its work was supported by the Covid-19 Steering Committee and the Reopenings Review Group. More details on these bodies are given below.

The Executive Committee undertook a series of activities focused on the implications for the Group's business of the Covid-19 outbreak, the closure of the Group's trading sites and central offices and the consequent introduction of remote working. The Executive Committee also implemented arrangements for:

- the payment of suppliers to ensure that valued trading relationships were maintained;
- how to deal with the rent due to the Company from its tenants – with the approach being agreed that all such rental payments would be deferred;
- the immediate cancellation of ongoing projects and the capital programme (except to the extent of preserving the integrity of the Group's real property); and
- communication with employees via the Company intranet and via line manager briefings by telephone or otherwise through virtual/remote media. This process involved regular communication with both those employees who were on furlough and those continuing in role, to ensure there was clarity of the evolving situation for all relevant stakeholders. This included an employee survey which sought the views of employees on their wellbeing and their thoughts about a return to work.

With effect from 12 March 2020, prior to the initial closure of the Group's businesses but as the risk from the pandemic became more acute, the Company established a Covid-19 Steering Committee comprised of its Executive Committee together with the Head of Safety and members of the operational effectiveness team and finance team. This Committee initially met daily, by conference call or virtual meeting, and moved to a twice-weekly programme of meetings with effect from early April 2020, i.e. after the Group's trading sites had been closed down.

That Steering Committee continued to meet twice weekly throughout the initial period of closure and after the first reopening of the Group's businesses in Germany (in the period from mid-May 2020), in England and Northern Ireland with effect from 4 July 2020, in Scotland with effect from 15 July 2020 and in Wales with effect from 13 July 2020.

The Steering Committee addressed, agreed and managed plans for closure of the sites, disposal of surplus food to community groups including via FareShare as referred to in more detail on page 7, disposal of drinks and the ongoing repair and maintenance of the closed estate. It also oversaw the communication with employees, the implementation of the Coronavirus Job Retention Scheme and the furloughing of employees.

By way of further explanation, the issues considered by the Steering Committee included:

- the necessary dialogue with Governments in each of the nations of the United Kingdom, public health authorities and Primary Authorities, and, as facilitated by UK Hospitality, with other hospitality businesses in relation to matters of common interest;
- how to ensure that the Group's assets were preserved;
- how to ensure that a 'skeleton staff' was retained and not placed on furlough to ensure that the Group could continue to operate and carry on those functions such as payroll, financial management, treasury management and the supervision of ongoing litigation and claims, which were unaffected by the closure of the business; and
- communication with the Group's employees, both those on furlough or continuing in role.

The Steering Committee's decisions and its ongoing monitoring of the evolution of the Company's response to the pandemic and its impact on the Company's business, employees, suppliers, and landlord/tenant relationships and its estate were reported to the Board by way of a weekly written report by the Chief Executive.

The management of the response of the Group's businesses in Germany, principally its Alex sites, followed a similar pattern to that which took place in the UK. However, due to the fact that health and safety regulations are the responsibility of the 16 different states within Germany, the approach had to be focused on individual cities and regions as the regulations and requirements differed between several of those states.

The critical governance control, however, was the weekly senior management meetings (held observing applicable social distancing guidance) which allowed for co-ordination of activities and response plans in the closure process, the lockdown period and, as Germany followed a phased reopening programme with different regions allowing hospitality venues to re-open at different times, with appropriate, regionally focused safety protocols.

The approach by senior management in the case of Alex was similar to the UK plan but, because trading sites in Germany started to re-open before sites in the UK, the learnings from the German experience were shared with the UK management team, allowing the UK planning process to have greater insight into likely guest and regulatory reactions.

Once it became clear that it was likely that the UK Government would announce that hospitality businesses could start preparations for reopening, a separate Reopenings Review Group was set up comprised of the Chief Executive Officer, the Commercial Director, the Group HR Director, the Group Property Director, the Divisional Directors and the Head of Safety. It met weekly and considered the issues which needed to be addressed in preparing for the reopening of the estate and the re-commencement of trading in a way which met the requirements of the various UK governments and the public health authorities. It consulted, and received support and acceptance from, its Primary Authorities in the development of safe operational protocols which were then communicated to, and incorporated into training regimes for, the staff in trading sites and central offices ahead of reopening.

The issues considered by the Reopenings Review Group included:

- re-establishment of the supply chain;
- changes to the service cycle required to comply with the necessary safety protocols;
- the phasing of bringing sites back into operation and, to support this, the preparations for reopening and when, and in what numbers, to bring staff back from furlough; and
- training that teams would require in order to implement Covid-safe procedures.

In relation to the Group's financial position, the Company negotiated a revised financial package with its secured and unsecured lenders as announced on 12 June 2020. This process was overseen by the Board which had established a Refinancing Committee made up of the Chief Financial Officer and two Non-Executive Directors with appropriate financing or restructuring experience, Keith Browne and Jane Moriarty. That Committee reported to the Board at each of its meetings.

In the light of the recent announcement of the UK Government of a compulsory closure of hospitality venues in England, the Covid-19 Steering Committee has been re-established to monitor, manage and guide the implementation and consequences of that lockdown. At the time of publication of this report, that Steering Committee has adopted the same approach and is considering the same issues as it previously did and reports to the Board regularly.

Employee wellbeing arrangements and workplace implications: Following the instruction of the UK Government on 20 March 2020 that the Group's premises should close with immediate effect, the trading sites were closed later that day and, after a few days of operating with a skeleton staff to ensure a clean close down and transition to remote working, the Company's Retail Support Centre and other central support offices also closed down.

At that time, over 99% of employees had been put on furlough, with basic pay for all employees including the Board reduced to between 60% and 80% depending on seniority, with more senior staff and Board members taking larger reductions. Around 150 members of staff remained in role, including the Executive Committee, the Head of Safety, the treasury team, the payroll team, and those members of the property team dealing with essential estate maintenance and repair, together with security, a core financial management group and a core supplier relationship group to manage ongoing supply chain arrangements and the IT support helpdesk. That continuing group all worked remotely, using technology and cyber security arrangements which were already available across the business. There were no meetings held in any of the Group's offices until the Government issued its recommendation that businesses start to encourage staff to return to work. Any such meetings were (and continue to be) held only on an 'as needed' basis with appropriate social distancing and safety protocols.

In order to ensure that it was able to assess any concerns which the Company's employees had in respect of either being on furlough and away from their day-to-day roles or working remotely from colleagues, the Company carried out a Wellbeing survey in June which had responses from over 16,500 colleagues. The principal outputs of that survey were used in developing the Company's return to work plans and to enable any common concerns to be addressed.

CORPORATE GOVERNANCE CODE REPORTING

For FY 2019, the Company reported against both the 2016 Code and the revised 2018 Code. The latter became effective for accounting periods beginning on or after 1 January 2019 and it was not therefore necessary to address it in FY 2019. Nevertheless, given that the 2018 Code represented a higher governance standard than the 2016 Code, the Company felt it prudent to anticipate, and deal at an early stage with, the changes which would become effective for FY 2020. This also had the advantage of highlighting any areas requiring attention.

The key changes between the 2016 and 2018 versions are:

1. enhanced board engagement with the workforce and wider stakeholders, including describing how the Company complies with its obligations to take into account stakeholder views pursuant to Section 172 Companies Act 2006;
2. demonstration of a clear business strategy aligned with a healthy corporate company culture;
3. a high-quality and diverse board composition; and
4. proportionate executive remuneration that supports the long-term success of the business.

Mitchells & Butlers is now required to report against the 2018 Code and accordingly does so in this Corporate Governance Statement.

As part of its early adoption of the 2018 Code, the Board established a Corporate Responsibility Committee in June 2019. The purpose of this Committee is to allow more executive, leadership and functional management involvement in key areas of significant importance including environmental impacts of the Group's activities, community relationships and the role of the Company in society. The establishment of this Committee demonstrates a significant commitment to the enhancement of governance in general and matters such as stakeholder engagement and is therefore seen as a positive development. More details of this Committee and its membership are set out on page 67 and its Terms of Reference are on the Company's website www.mbplc.com

ALIGNMENT TO THE 2018 CODE

As part of its alignment with the 2018 Code, the following operational and administrative framework is in place.

1. Enhanced Board engagement with the workforce and wider stakeholders

The 2018 Code recommends that the Board should consider wider stakeholder views, in particular implementing arrangements for gathering the views of the workforce. The 2018 Code permits a designated Non-Executive Director to fill this role and in 2019 the Board designated Dave Coplin for this role. The purpose of this appointment under the 2018 Code is to gather employee views, ensure employee views are taken into account in Board discussions and decision-making, and engage with the workforce to explain how executive remuneration aligns with the Company's remuneration policy. This commenced in FY 2019 with Dave Coplin being introduced to those executive managers who could help ensure that meetings and site visits were effective. Progress continued during FY 2020.

Mitchells & Butlers has an Employee Forum with elected representatives which meets with the Executive Directors and members of the Executive Committee annually. Dave Coplin also attends these meetings. In FY 2020 there were two Employee Forum meetings. Questions from the workforce in general are sought through the intranet to seek areas of concern or enquiry and to enable the Company to respond. Two Employee Forum meetings per year are held and the Employee Forum agenda includes an overview of how executive pay is aligned with the Company's strategic objectives. The Terms of Reference of the Employee Forum reflect this.

The results of regular Board roadshows are used to update managers on performance and the latest developments affecting the Group, and employee feedback is included in Board papers where appropriate as part of the decision-making process.

2. A clear business strategy aligned with a healthy corporate company culture

In July 2018 the Financial Reporting Council published 'Guidance on the Strategic Report', strengthening the link between the purpose of the Strategic Report and the Directors' duty under Section 172 Companies Act 2006, to promote the success of the Company. The revised guidance encourages companies to consider the broader matters that may impact upon the performance of the Company over the longer term including the interests of wider stakeholders, and it is now established Mitchells & Butlers practice that strategic proposals put to the Company's Board meetings include a requirement to consider the Directors' duties under Section 172. A detailed explanation of the manner in which the Board has discharged its responsibilities under Section 172 is set out in the Compliance Statements on pages 39 and 40.

The specific provisions of Section 172 require directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, have regard to the interests of other stakeholders. The specific requirements of Section 172 are that Boards should consider:

- the likely consequences of decisions in the long term;
- the interests of the Company's employees;
- the fostering of business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the maintenance of high standards of business conduct; and
- the fairness of actions as between members of the Company.

The 2018 Code specifically requires that the Board should understand the views of the Company's key stakeholders (including employees, suppliers, customers and others) and keep stakeholder engagement mechanisms under review so they remain effective. The 2018 Code also recommends that there should be regular reporting as to how the Board has complied with this engagement approach in its decision-making processes. The 2018 Code sets out a series of aspects to be taken into account in demonstrating the Board has complied with its Section 172 responsibilities. These are listed below, together with Company procedures which align Mitchells & Butlers' corporate behaviour with the spirit and values of the 2018 Code:

a. Culture
Mitchells & Butlers has in place a set of PRIDE values of Passion, Respect, Innovation, Drive and Engagement which underpin its key priorities of People, Practices, Profits and Guests. The Board observes these PRIDE values in discharging its everyday responsibilities and considering decisions and proposals and encourages all levels of the organisation to do so.

b. Strategy
In demonstrating that the Board is promoting the success of the Company and taking decisions with regard to their long-term impact, the Board must ensure it has in place, and regularly reviews, its agreed strategy.

Developments arising from the strategy review are followed up, documented and, on a regular basis, the Board reviews whether the Company is operating in line with that strategy and/or there needs to be a revision of the strategy to reflect external and possibly internal changes in the dynamics of the business. Board papers refer to whether they reflect a proposal that is aligned to, or diverges from, the agreed strategy.

Principle B and Provisions 1 and 2 of the 2018 Code require the Board to:

- describe how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy;
- establish the Company's purpose, values and strategy, ensure that these and its culture are aligned and describe the activities the Board takes to monitor and implement this culture; and
- describe the Company's approach to investing in and rewarding its workforce.

Details of how the Board achieves this are given in the Strategic report on pages 8 to 44.

c. Training and awareness
There is an induction process for all Directors on appointment and the Company Secretary is available to all Directors, whether of the Company or any of the subsidiaries, for consultation and guidance on matters of governance in relation to any aspects of the affairs of any part of the Group. As circumstances or new areas develop, whether in the operations of the business or externally, appropriate training will be considered to ensure that each Director is involved in decision making and oversight with the benefit of the correct amount of knowledge as to what is relevant for consideration.

The induction process ensures that Directors are aware of, and understand, the requirements under Section 172. Nevertheless, in April 2019, a comprehensive guide was sent to all subsidiary Directors to provide training below Board level in relation to Section 172 requirements, focusing on how such considerations should be documented in the future, to ensure a proper understanding of what needs to be considered and what evidence is required to be presented when putting proposals to the Board.

This process continued in FY 2020 and, in particular, as part of the review and refreshing of the roles and responsibilities of subsidiary Directors at the outset of the Covid-19 disruption and the closure of the Group's businesses, a bespoke training session for subsidiary company Directors was presented by the Group's legal advisers, Freshfields Bruckhaus Deringer LLP.

Ongoing training and guidance on their responsibilities continues to be provided to subsidiary company Directors.

d. Information
Board paper procedures now contain specific references to the factors referred to in Section 172 Companies Act 2006, so they can be brought to the Board's attention where appropriate.

e. Policies and processes
The business has an existing comprehensive suite of policies and processes and these are updated, revised and re-communicated regularly.

f. Stakeholder engagement
Engagement with the workforce is addressed above and engagement with guests is dealt with through the Guest Health initiatives. Engagement with key, critical suppliers is addressed through the supplier segmentation tiering process where we consult with suppliers on a regular basis. This varies from monthly interaction to annual reviews, depending on where the supplier appears on the Company's tier 1 to tier 4 ranking (which is a multi-factor process involving criticality, volume, spend size and availability of substitute products).

3. Board composition and diversity

a. Board composition
The appointment of Jane Moriarty and Susan Murray as independent Non-Executive Directors in FY 2019 enhanced both the independence and diversity of the Board and the impact of those changes continued into FY 2020. Their appointments brought broader experience in the areas of Finance and Marketing outside the specific characteristics of the business of the Company and the industry sector and created a more diverse gender profile, and they have strengthened the balance and breadth of the Board's decision-making. Susan Murray is also the Board's Senior Independent Director.

b. Board diversity
Principle J of the 2018 Code states that Boards are encouraged to 'promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths' through their appointments and succession planning. The purpose is to ensure that there is a balance of views from different genders and other experiences and skill sets around the Board table so that decision-making can be made with good oversight of all relevant factors.

The Company has had a Board Diversity Policy in place for some time, but during FY 2019 it was also agreed that talent pipeline presentations to the Board should include the extent to which diversity aspects have been taken into account in development plans/recruitment, and that ethnicity and disability reporting should be addressed, to the extent that the Company has reliable data. Talent pipeline presentations continued to be made in the early part of FY 2020 but this process was put on hold from late March 2020 when over 99% of the Company's employees were furloughed during Covid-19 restrictions. As the Group's business and activities gradually return to a degree of normality, this programme will resume when circumstances permit.

Gender Pay Gap data is already overseen by the Remuneration Committee and details are set out on page 77 of the Report on the Directors' remuneration.

4. Proportionate executive remuneration

This is dealt with on pages 77 and 88 of the Report on the Directors' remuneration.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance. The Board considers that the Company has complied throughout the year ended 26 September 2020 with all the Provisions and best practice guidance of the 2018 Code except certain specific aspects related to 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 2018 Code as described below.

The Audit Committee Report and Nomination Committee Report, which are set out on pages 70 to 73 and page 66 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 2018 Code. There are, however, a small number of areas where, for reasons specifically related to the Company, the detailed Provisions of the 2018 Code were not fully complied with in FY 2020. These areas are kept under regular review. A fundamental aspect of the 2018 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 2018 Code specifically recognises the concept of 'Comply or Explain' in relation to divergences from it.

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 2018 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 four divergences from full compliance with the 2018 Code, as set out below by reference to specific paragraphs in the 2018 Code.

1. Chairman's tenure (Provision 19)

Provision 19 of the 2018 Code states:

"The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided."

In its 2019 Annual Report, the Company explained why it felt it was appropriate that Bob Ivell should remain in place as Chairman of Mitchells & Butlers.

The extraordinary events of 2020 and the challenges which the Group has faced have made it clear that the decision to confirm that Mr Ivell should remain in place, which therefore allowed him to co-ordinate the Board's oversight of the senior executive team's response to the pandemic, was the correct one.

As the uncertainties about the effect of Covid-19 on the hospitality industry and Mitchells & Butlers in particular are expected to remain well into 2021, the Board's view, supported by its two major shareholders and the Executive Directors, is that this is not an appropriate time for the Board to be considering changes in the existing arrangements as the stability which the current position engenders, together with Mr Ivell's extensive industry experience and his involvement with such influential bodies as UK Hospitality, have been of great assistance to the Company in how it has addressed these events.

The above represents the Company's position in relation to Provision 19 of the 2018 Code on Bob Ivell's Chair tenure, but in any event, the Board considered it essential to have a stable and experienced Board while dealing with the emergency measures required to deal with the ongoing effects of Covid-19, and so no further consideration was given to Provision 19 of the 2018 Code during FY 2020. This will remain the case while the Company continues to deal with the rebuilding of its business.

2. Composition of the Board (Provision 11)

During the year, Provision 11 of the 2018 Code, which requires that at least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent, was not complied with. Accordingly, this had consequential implications on the composition of the Audit and Remuneration Committees.

The Board does not comply fully with the requirement for at least half of its members to be independent, due to the presence of four shareholder representatives on the Board, representing our two largest shareholders. These two shareholders maintain a dialogue via their representatives on the Board, all of whom are careful to ensure that there is no conflict between that role and their duty to the Board and other shareholders.

The two shareholders concerned have made extremely significant investments in the Company and the Board considers their investment objectives to be fully aligned with those of the Group and of other shareholders. The Board maintains excellent relations with its major shareholders and considers their commitment to be a significant factor in the ongoing stability of the Board, particularly as a result of their strong support of the Board's long-term strategy, including the recent Ignite initiatives. Their continued investment and presence on the Board adds value as the Group works towards common goals, and in pursuit of the Company's published strategy. In particular, the two largest shareholders have been very supportive of the Board's actions when the Company had to deal with the forced closure of the business for several months and their respective representatives continued to offer valuable advice and experience while the Board considered options in the face of such unprecedented circumstances.

The Board intends to continue to work closely with the representatives of its major shareholders to further the interests of the Company and no change is proposed to the shareholder representative profile of the Board in the immediate future.

3. Constitution of Committees

Throughout FY 2020, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the 2018 Code.

However, the Audit and Remuneration Committees are not fully compliant with the relevant Provisions of the 2018 Code. Provisions 24 and 32 of the 2018 Code respectively specify that both the Audit and Remuneration Committees should consist of independent Non-Executive Directors and both Committees include the presence of representatives of major shareholders.

The Board has carefully considered the implications of this and has concluded that it constitutes a valid exception under the 'Comply or Explain' regime of the 2018 Code, in that the two shareholders concerned are committed to the progression and growth of the Company, have made a substantial financial commitment and are fully supportive of the Group's strategy. The shareholder representatives have significant commercial and financial experience and make a substantial contribution to the Committees and the Group remains fully committed to working with them on matters affecting the Group and its activities in the future.

The possibility of appointing a further independent Non-Executive Director remains a matter for the Nomination Committee to review and is considered regularly.

The information required by Disclosure Guidance and Transparency Rule ('DGTR') 7.1 is set out in the Audit Committee report on pages 70 to 73. 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 52 to 57.

BOARD COMPOSITION

The Board started and ended the year with 12 Directors and there were no changes during the year. The table on page 64 lists the composition of the Board during the year.

As indicated on page 69, in relation to the output of the Board effectiveness review process conducted during FY 2020, at the present time no significant changes to the leadership and oversight of the Group by its Board and its Committees are currently being considered due to the continuing uncertainties around the Company's trading environment caused by the ongoing Covid-19 pandemic.

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 oversight, supervision 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 2020 there were 15 scheduled Board meetings. More details of the governance arrangements during the Covid-19 disruption are set out on pages 59 to 61. There were also five meetings of the Audit Committee, six meetings of the Remuneration Committee and one meeting 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.

Except as noted in the table opposite, full attendance was recorded for all Directors in respect of all Board and Committee meetings during FY 2020, 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 ordinarily meet more informally approximately four times a year and the Chairman and the Non-Executive Directors ordinarily meet without the Executive Directors twice a year. However, due to the constraints on meetings during FY 2020, these meetings have been limited to only one physical meeting in FY 2020 although there has been regular dialogue between the Board members, facilitated by the Chairman, throughout the financial year.

There are 11 Board meetings currently planned for FY 2021.

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 2018 Code and the Companies Act 2006 as well as other relevant legislation.

An externally facilitated Board evaluation is required every three years and the last one took place in FY 2018, with the next one due in FY 2021. In FY 2020, the Company Secretary co-ordinated the internal performance evaluation of the Board, which was led by the Chairman, details of the output of which are set out at page 69.

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
Directors who served during the year				
Bob Ivell	15 (15)	n/a	6 (6)	1 (1)
Keith Browne	15 (15)	n/a	n/a	n/a
Dave Coplin	15 (15)	5 (5)	6 (6)	1 (1)
Eddie Irwin	14 (15)	5 (5)	6 (6)	0 (1)
Tim Jones	15 (15)	n/a	n/a	n/a
Josh Levy	15 (15)	n/a	6 (6)	n/a
Jane Moriarty	15 (15)	5 (5)	6 (6)	1 (1)
Susan Murray	13 (15)	5 (5)	6 (6)	0 (1)
Ron Robson	14 (15)	5 (5)	n/a	1 (1)
Colin Rutherford	15 (15)	5 (5)	6 (6)	1 (1)
Phil Urban	15 (15)	n/a	n/a	n/a
Imelda Walsh	15 (15)	5 (5)	6 (6)	1 (1)

Certain Directors were unable to attend meetings held on 12 December 2019, 27 March 2020 and 24 April 2020. In respect of the two meetings held on 12 December 2019, the relevant Directors could not attend due to pre-existing and unavoidable commitments which the Company had previously been notified of. In respect of the meetings held on 27 March 2020 and 24 April 2020, these were additional meetings convened on very short notice to deal with matters which had arisen in relation to the Covid-19 pandemic. Those Directors who could not attend these meetings had other commitments also relating to issues associated with the Covid-19 pandemic which they could not avoid or rearrange at such short notice.

Directors

The following were Directors of the Company during the year ended 26 September 2020:

		Date appointed	Date of change of role
Directors who served during the year			
Bob Ivell	Independent Non-Executive Director[1]	09/05/11	14/07/11
	Interim Chairman[1]	14/07/11	26/10/11
	Executive Chairman	26/10/11	12/11/12
	Non-Executive Chairman	12/11/12	–
Keith Browne[2]	Non-Executive Director	22/09/16	–
Dave Coplin	Independent Non-Executive Director	29/02/16	–
Eddie Irwin[2]	Non-Executive Director	21/03/12	–
Josh Levy[3]	Non-Executive Director	13/11/15	–
Tim Jones	Chief Financial Officer	18/10/10	–
Jane Moriarty	Independent Non-Executive Director	27/02/19	–
Susan Murray	Independent Non-Executive Director and Senior Independent Director	08/03/19	–
Ron Robson[3]	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 of the year, the Board was made up of nine male and three female members. There were no changes during the year and this remained the position at the year end.

The Executive Directors have service contracts. 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.

At the Company's forthcoming Annual General Meeting in 2021, all Directors will be required to stand for annual re-election, in accordance with the Company's Articles of Association. Their biographical details as at 25 November 2020 are set out on pages 48 to 51, including their main commitments outside the Company. In addition, Provision 18 of the 2018 Code requires that the papers accompanying the resolutions to elect or re-elect directors, set out the specific reasons why the individual director's contribution is, and continues to be, important to the Company's long-term sustainable success and this information will be included in the Notice of Meeting.

Provision 15 of the 2018 Code states that full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointments. The Mitchells & Butlers policy is that 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. During FY 2020, neither of the Executive Directors held any such external directorship, nor did they hold any other significant appointments, as a director or otherwise, and that remains the case as at the date of this Annual Report.

Division of responsibilities between Chairman and Chief Executive
In accordance with Provision 9 of the 2018 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 is clearly established as required by Principle G of the 2018 Code and these are set out in writing and have been 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, Corporate Responsibility 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 67) and attends the Nomination, Remuneration and Audit Committees 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.

The segregation of responsibilities between the Chairman and the Chief Executive is set out in the Company's Corporate Governance Compliance Statement, which is available on our website, www.mbplc.com

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

Chairman
Provision 9 of the 2018 Code provides that the Chairman should, on appointment, meet the independence criteria set out in Provision 10 of the 2018 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. An explanation of the Board's view on the Chairman's tenure is set out at page 63.

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
Susan Murray became Senior Independent Director immediately upon her appointment to the Board on 8 March 2019.

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. Susan Murray is available to all shareholders should they have any concerns if the normal channels of Chairman, Chief Executive or Chief Financial Officer 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.

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 2018 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 2018 Code.

There are currently five independent Non-Executive Directors on the Board: Colin Rutherford, Imelda Walsh, Dave Coplin, Jane Moriarty and Susan Murray.

Other than their fees, and reimbursement of taxable expenses which are disclosed on page 81, the Non-Executive Directors received no remuneration from the Company during the year. During the financial year, the Non-Executive Directors agreed to a reduction in their fees to 60% of their normal rate, in alignment with the Executive Directors and the other members of the Executive Committee for the period from April to September 2020.

With effect from 1 January 2021, the base fee for Non-Executive Directors will remain at £53,000 per annum, the fee paid to Non-Executive Directors for chairing a Committee or for the role of Senior Independent Director will remain at £13,000 per annum, and the fee paid to Dave Coplin for his role as the Board representative for 'employee voice' will remain at £13,000 per annum.

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.

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.

COMMITTEES
The Audit, Remuneration, Nomination and Corporate Responsibility Committees have written terms of reference approved by the Board, which are available on the Company's website www.mbplc.com. 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 70 to 73 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 the Directors' remuneration on pages 74 to 89.

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. In compliance with the disclosure requirements of Provision 23 of the 2018 Code, there is an ongoing process of review of the make-up of the Board and for Board succession, which is carried out by the Nomination Committee and led by the Chairman. The Nomination Committee engages external search agencies when required and ensures that all candidates are identified and assessed against pre-determined criteria. Gender balance is dealt with by the Nomination Committee on a regular basis and includes assessment of gender balance at senior management level. The appointment of Jane Moriarty and Susan Murray in FY 2019 enhanced the gender diversity of the Board, with 25% of our Board now consisting of women.

In accordance with the disclosure requirement in Provision 23 of the 2018 Code, as at the date of this report, the gender balance for those in the senior management team and their direct reports, was split as to 45% female and 55% male. For this purpose, the senior management team comprises the Executive Committee.

The gender balance of the Executive Committee (which includes two Board members) is 80% male and 20% female. Further information on the Executive Committee is given on page 67.

During the year, the Nomination Committee considered the composition of the Board and, following the year end, has assessed the outcome of the 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 69. 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 2018 Code. 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 25% throughout FY 2020. 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 Value Creation section on page 26.

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:

	Appointment date	Member at 26/09/20
Bob Ivell (Chair)	11/07/13	Y
Dave Coplin	29/02/16	Y
Eddie Irwin	11/07/13	Y
Jane Moriarty	27/02/19	Y
Susan Murray	08/03/19	Y
Ron Robson	11/07/13	Y
Colin Rutherford	11/07/13	Y
Imelda Walsh	11/07/13	Y

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, the Market Disclosure Committee, which comprises the Chairman, the Chief Executive, the Chief Financial Officer and an independent Non-Executive Director, currently Colin Rutherford.

Corporate Responsibility Committee
A Corporate Responsibility Committee was established in June 2019 and its purpose is to allow more executive, leadership and functional management involvement in matters of corporate responsibility and sustainability. Its Terms of Reference are on the Company's website www.mbplc.com

The Corporate Responsibility Committee comprises Bob Ivell (Chair), Ron Robson, Imelda Walsh, Colin Rutherford, Eddie Irwin, Susan Murray, Jane Moriarty and Dave Coplin. The Chief Executive, Phil Urban, is invited to attend regularly.

Following approval of the Committee's formation, a work plan for FY 2020 was established with a 'road map' and targets. A multi-disciplinary operational and functional steering committee was identified and tasked with carrying out first level oversight of the plan, with regular reports to the Corporate Responsibility Committee. Due to the disruption caused by the Covid-19 outbreak, the work of that team was largely paused from March 2020 until September 2020. However, its programme of work was recommenced in September 2020. More details of the activities involved in this programme during the financial year are set out on page 28.

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, Jane Moriarty and Gary John.

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 2020 the work of the Pensions Committee focused primarily on the monitoring of the performance of the Group's pensions arrangements and the ongoing oversight of the Company's involvement in the application to court by the Trustee of the Mitchells & Butlers Pension Plan for rectification of the Trust Deeds and Rules of that plan as referred to at note 4.5 of the Group financial statements, including the decision by the Company and the Trustee to postpone activity in relation to this case and adjourn the trial to June 2021. The Committee also oversaw the discussions with the Trustees of both the Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan for a suspension of contributions into those two schemes in respect of the period from April 2020 to September 2020, with those contributions being postponed to the end of the respective recovery plan period.

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, David Gallacher and Dennis Deare (the Divisional Directors).

The Executive Committee ordinarily meets at least every six weeks and has day-to-day responsibility for the running of the Group's business. For FY 2021, it is intended that this Committee will meet more frequently on a four weekly cycle to align more closely with other operational meetings and forums.

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 workforce 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.

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 Chief Financial Officer, 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.

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 Chief Financial Officer 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 Finance 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.

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 re-communicated to all employees in FY 2020 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 of its meetings.

Principle E and Provision 6 of the 2018 Code require the Board to be clear how its approach to whistleblowing has changed from an Audit Committee led approach to a Board led approach. Although the Audit Committee continues to receive regular reports on whistleblowing activity, each set of full Board papers also includes, as part of the report from the Group Risk Director, the number and assessment of any whistleblowing reports received and, where relevant, the actions taken in respect of reports which are, on investigation, found to be credible.

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.

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 2018 Code for the period 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 regularly, 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.

During the period of the closure of the Company's estate and business, the monitoring of risks was undertaken on a twice weekly basis by the Covid-19 Steering Committee, reporting each week to the Board through the Chief Executive as referred to in more detail in the Risks and uncertainties section on pages 32 to 38.

The primary responsibilities of the Risk Committee 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 regarded to be inadequate, recommend improvement actions.

The Group's risks identified by the processes that are managed by the Risk Committee are described in the 'Risks and uncertainties' section on pages 32 to 38.

More details of the work of the Risk Committee are included in the Audit Committee Report on pages 70 to 73.

- 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:

i. govern the maintenance of accounting records that, in reasonable detail, accurately and fairly reflect transactions;
ii. require reported information to be reviewed and reconciled, with monitoring by the Audit Committee and the Board; and
iii. 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 2018 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 and the mitigation which insurance might provide.

BOARD EFFECTIVENESS EVALUATION AND CHAIRMAN'S EVALUATION AND APPRAISAL

During the year, the Board also conducted an internally facilitated Board effectiveness evaluation, led by the Chairman with support from the Company Secretary and General Counsel.

Due to the disruption to the normal processes of the Board during the year, caused by the impact of the Covid-19 outbreak and its consequential effects on the Company and its business, the ability to implement the key findings of the 2019 Board effectiveness evaluation was significantly impaired.

The key findings of that 2019 process were:

- a review of the Board's composition;
- the development of a more formal succession plan for both the Board and the Leadership group; and
- continued focus on gender and ethnic diversity across all cohorts of the business, including the Board and the Leadership group.

However, the circumstances in which the Company was operating for much of FY 2020 were not appropriate for these matters to be progressed in the year although the Board re-confirmed its commitment that, as and when a greater degree of normality can be established, these will remain appropriate for implementation.

In particular, the Board is aware that one of the matters for focus going forward is its policy on Board succession, including those Non-Executive Directors who will in the near future reach the end of a third three-year period of tenure and, subject to the comments referred to on page 63, the Chairman's tenure. However, the Board has taken the view that in light of the existing uncertainties around the Company's trading environment caused by the pandemic and the fact that, at the time of preparing this report, those uncertainties remain for the foreseeable future, it is not an appropriate time for making significant changes in the leadership and oversight of the Group by its Board and its Committees.

Whilst the Board is committed to the development and implementation of a formal succession plan, as identified in its 2019 effectiveness review, it believes that changes at this stage, which may create unnecessary instability, and lead to the loss of significant experience of not only the Company but the industry more widely, would not be in the interests of shareholders or the Company's other stakeholders.

The 2020 evaluation process focused on two principal areas, which were the pre-eminent aspects for review in relation to the specific circumstances of FY 2020, namely how the Board and its governance arrangements, communications (both substantive and the methods used) and meetings/discussions operated in the year and areas for improvement in relation to those arrangements as identified through the changes in the Board's operating practices identified in the response to the pandemic.

The key findings of that review were:

- the Board's response to, and oversight of, the pandemic had been both effective and collaborative ensuring a highly constructive response to the exceptional circumstances created by the pandemic, with good communication of important information to Board members so that its meetings, mainly held virtually from April 2020 onwards, were productive, focused and led to clear decision-making; and
- the use of technology was much increased during the year, as virtual meetings were well conducted, with focused briefings and clear action lines emerging, being implemented and reported back upon. As a result, there was a desire, going forward, to include more technology in the Board's collaborative and inclusive approach to addressing key issues as well as, when the circumstances permit, physical meetings.

The annual appraisal of the Chairman's performance was conducted by the Senior Independent Director, Susan Murray, with the rest of the Board (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 2018 Code.

Introduction from the Audit Committee Chairman

COLIN RUTHERFORD
Chairman of the Audit Committee

On behalf of the Board, I present the report of the Audit Committee for the financial year ended 26 September 2020. During the period, as the purpose and effectiveness of external and internal audit procedures came under increasing public scrutiny, the Committee maintained an appropriate level of engagement with the Chief Financial Officer and the Group Risk Director, other key individuals and their teams who collectively provide an appreciation and rigorous insight into how the Group functions and reports. The Committee is always very grateful for the detailed instruction these interactions provide and this, in turn, significantly assists towards the promotion and efficient execution of the Committee's oversight role, ensuring confidence in reporting to the wider Board.

The impact of Covid-19 in relation to the overall governance and key controls operated across the business in a remote working environment presented new challenges to the business. Therefore, in order to provide assurance to the Audit Committee that key financial controls continued to operate as expected, an independent review was swiftly undertaken by the Group Risk Director. Findings confirmed that a good level of assurance continued, and no weaknesses were identified. The outputs from this review were reported to Senior Management and to the Audit Committee, providing comfort that despite the Company furloughing a number of staff, coupled with the inherent risks associated with increased remote working, the implications were minimal and key controls were unaffected.

ENGAGEMENT WITH EXTERNAL AUDITORS, INTERNAL AUDITORS AND OTHER THIRD-PARTY ADVISERS

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 advisers interact and test our comprehensive risk functions. The Committee's engagement during the whole of the auditing and advisory process conveys confidence in their collective fieldwork conclusions.

It is also important to note the Committee's role in overseeing the well-considered provision of adequate resources by the Group, ensuring that any additional non-audit services required during the year were obtained where necessary, and in particular dealing with the increasing role of EU regulation and the Financial Reporting Council (FRC) and its evolving reporting requirements.

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 financial and operational risks throughout the period. The Committee continued to focus on challenging the effectiveness of internal controls, the robustness of assurance and risk management processes and in assessing the importance of, and acting as required upon, all reported information received from our external and internal auditors and third-party advisers.

The Committee remains committed to maintaining an open and constructive dialogue on relevant audit matters with all shareholders. Therefore, should you have any comments or questions on any aspects of this report, or indeed the wider financial statements, may I respectfully ask you to please email myself, care of Adrian Brannan, Group Risk Director, at company.secretariat@mbplc.com

REMIT AND MEMBERSHIP 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 and other third-party advisers.

At the date of the 2020 Annual Report, the Audit Committee comprised five independent Non-Executive Directors: Colin Rutherford (Chair), Imelda Walsh, Dave Coplin, Jane Moriarty and Susan Murray, and two further Non-Executive Directors, Ron Robson and Eddie Irwin, nominated by Piedmont Inc. and Elpida Group Limited respectively. In accordance with 2018 Code Provision 24 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 48 to 51.

The Audit Committee continued to meet at least quarterly during FY 2020. 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, the internal Group Assurance function and other third-party advisers.

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 Chairman, the Chief Executive and the Chief Financial Officer, the Company Secretary and General Counsel, the Group Risk Director and representatives of the external auditor, Deloitte LLP. The Audit Committee also has the opportunity to meet privately with the external auditor not less than twice a year, without any member of management present, in relation to audit matters.

The remuneration of the members of the Audit Committee is set out in the Report on Directors' remuneration on page 81.

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.mbplc.com/pdf/audit_committee_terms.pdf

The Audit Committee's terms of reference were approved by the Committee and adopted by the Board in 2013. Those terms of reference specifically provide that they will be reviewed annually. They have been reviewed and updated as appropriate each year since and no changes were felt to be needed in FY 2020.

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), 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 2020 no material changes were made to the terms of reference of the Audit Committee, but the work of the Audit Committee will be kept under review with the expectation that any such matters which come to light are included in the review scheduled for FY 2021.

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, member of management, and any employees, who 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 Board meeting following each Committee 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 external 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, Group Assurance and the risk function, 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 external auditor, including review of the external audit, its cost and effectiveness;
- pre-approve non-audit work to be carried out by the external 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 external auditor's full year report;
- reappointment and evaluation of the performance of the external 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;
- as set out in more detail later in this report, the review of a tender process for the external auditor appointment;
- 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 2020, the level of achievement of that plan and the scope of the annual internal audit plan for FY 2021;
- periodic internal control and assurance reports from Group Assurance;
- review of outputs from a review of the key financial controls, which evaluated the operation of key financial controls during lockdown, whereby a significant increase in remote working was required;
- 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;
- review of the going concern and corporate viability disclosures (a summary is reported on pages 44 and 39 respectively);
- compliance with the Company's Code of Ethics;
- corporate governance developments;
- the status of material litigation involving the Group;
- how the Company has implemented IFRS 16; 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 2020.

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 104 to 154.

The Audit Committee's review included consideration of the following areas and key accounting judgements:

- **Material Uncertainty** – the fact that the FY 2020 financial statements have been prepared on a going concern basis but noting, as set out at page 44 of the Annual Report, the aspect of material uncertainty;
- **Property, plant and equipment valuation** – the assumptions used by management to value the long leasehold and freehold estate including: estimated fair maintainable trading levels which consider a pre-Covid-19 performance; income shortfall deduction to reflect the short-term impact on valuation of trade rebuild post-Covid-19; brand multiples and use of spot valuations, to ensure a consistent valuation methodology is in place. The revaluation methodology is determined by using management judgement, with advice taken from third-party valuation experts. The Committee takes note of the material uncertainty placed on the valuation by the third-party valuer, as reported on page 43 of the Annual Report;
- Short leasehold buildings, right-of-use assets, unlicensed land and buildings, and fixtures, fittings and equipment are held at cost less depreciation and impairment. Value in use calculations used in this review consider the short-term impact of Covid-19 on forecast trading levels;
- **Pension surplus/deficit** – the actuarial pension surplus 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 has been assessed by the Audit Committee. Management have used judgement to determine the applicable rate of inflation to apply to pension increases in calculating the defined benefit obligation. The total pension liability, inclusive of minimum funding, is significantly less sensitive to management assumptions due to the remaining term of the schedule of contributions;
- **Covenants** – the headroom on the covenants within the securitised estate, together with an evaluation of the mitigating options available to management (to ensure there is reasonable assurance that should a covenant be close to being breached, management have further actions that could be undertaken to prevent such a breach occurring), have been reviewed in detail by management and assessed by the Audit Committee. Refinancing activities, including the obtaining of covenant waivers, and the pension contribution deferrals, as agreed with the pension schemes' trustees, have been reviewed by the Audit Committee, in addition to the Going Concern and Corporate Viability report (which includes details of the material revenue and profitability reduction, resulting from the overall impact of Covid-19 upon business performance and future trading); and
- **Separately disclosed items** – judgement is used to determine those items which should be separately disclosed to allow a better understanding of the adjusted trading performance of the Group. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities.

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 internal 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 2020 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 2021 internal audit plan. The principal objectives of the internal audit plan for FY 2020 were, and remain for FY 2021:

- 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 2020, seven audit reports were issued by the Group Assurance function and reviewed by the Board or the Audit Committee.

Internal audit recommendations are closely monitored from implementation through to closure via a web-based recommendation tracking system, which efficiently assisted 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.

In FY 2018, a comprehensive tender process was undertaken regarding the co-sourced Group Assurance function. PwC were successfully reappointed based upon overall merit and quality of the team, to provide Group Assurance audit services to M&B. During FY 2020, as a consequence of the deferral of the tender for the external audit appointment, as referred to later in this report, the Group Assurance function sought support from BDO LLP in delivery of its FY 2020 programme.

RISK MANAGEMENT FRAMEWORK

As disclosed in the 'Risk and uncertainties' section on pages 32 to 38 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)
- Chief Financial Officer
- Commercial and Marketing Director
- Divisional Director (Operations)
- Group HR Director
- Director of Business Change & Technology
- Group Risk Director
- Head of Legal

Key risks identified are reviewed and assessed on a quarterly basis in terms of their likelihood and impact, and are measured on 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 2020, 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 2020 (major issues being defined for this purpose as matters having a financial impact of greater than £100k). The Board also receives a report on whistleblowing in the Company Secretary's regular report to Board meetings.

EXTERNAL AUDITOR APPOINTMENT

Deloitte LLP was appointed as the auditor in 2011, following a formal tender process. The Audit Committee has considered the 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 most recent audit partner rotation took place in 2016 whereby John Charlton became the lead Audit Partner and, as required, he will be replaced in FY 2021. 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 agreed and put plans in place, to carry out a competitive audit tender in 2020, in respect of the financial year ending in 2021 to ensure the continued objectivity, independence and value for money of the statutory audit. However, given Government advice related to the unprecedented implications of Covid-19, the Committee concluded that it should seek FRC approval to reappoint Deloitte for one further year, and undertake the audit tender process in 2021. This approval was received on 5 October 2020.

The Audit Committee considers that the relationship with the external auditor is working well and is satisfied with its effectiveness and has not considered it necessary to require Deloitte LLP not to re-tender for the external audit work. To be clear, there are no contractual obligations restricting the Company's choice of auditor.

EXTERNAL AUDITOR'S INDEPENDENCE

The external auditor 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 external auditor as set out below. That policy was reviewed in FY 2020 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 Chief Financial Officer; and
- engagements with fees over £50,000 fall to be approved by the Audit Committee and its Chair.

The Audit Committee remains confident that the objectivity and independence of the external 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 external audit firm.

Details of the remuneration paid to the external auditor, and the split between audit and non-audit services, are set out at note 2.3 of the financial statements on page 114.

EXTERNAL AUDIT ANNUAL ASSESSMENT

The Audit Committee assesses annually the qualification, expertise, resources and independence of the Group's external auditor and the overall effectiveness of the audit process. The Chief Financial Officer, Company Secretary and General Counsel, Audit Committee Chairman and Group Risk Director meet with the external 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 Annual Report and Accounts is for the report and accounts, taken as a whole, to be fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. 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 and Accounts, which is underpinned by the following:

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

COLIN RUTHERFORD
Chairman of the Audit Committee
25 November 2020

The Going Concern and Long-Term Viability Statement can be found on pages 44 and 39 respectively.

The Going Concern and Long-Term Viability Statement

See pages 44 and 39 respectively.

Dear fellow shareholder

I am pleased to present the Directors' remuneration report in respect of the financial period which ended on 26 September 2020.

IMELDA WALSH
Chair of the Remuneration Committee

BACKGROUND AND BUSINESS CONTEXT

The business entered the 2020 financial period with strong momentum, building on the consistent performance seen over the previous three financial periods. In the first half with like-for-like sales increasing once again and consistently outperforming the market, the business was on track to deliver another year of profit growth, despite continuing ongoing cost pressures and the uncertainty of Brexit. This performance was underpinned by strong levels of guest satisfaction and high levels of employee engagement.

As I have outlined in previous reports, Mitchells & Butlers has, for a number of years, been guided by three clear strategic priorities, to build a balanced business, instil a commercial culture and drive an innovation agenda, with the engine room for delivery our Ignite programme of initiatives. Just prior to lockdown, work had begun on a further wave of Ignite initiatives and whilst many of these were paused temporarily, planning is now underway and with a high degree of confidence that the Ignite programme will be key in our long-term recovery.

The whole of Mitchells & Butlers closed at very short notice on 20 March 2020 following the UK Government's announcement that hospitality businesses must shut. The safe and secure closedown of a business of our scale was a significant undertaking that employees tackled very effectively at a time when there was understandable concern for their own job prospects. In response to the closure of the business and the ongoing uncertainty, a number of key decisions were taken:

- All Board Directors and Executive Committee members saw their fees and salaries reduced by 40% for the duration of the closure period. In addition, some senior managers who were not required to work during the closure period saw their salaries reduced by 30%.
- Around 99% of the workforce were designated as furloughed and accessed the Coronavirus Job Retention Scheme ('CJRS'). Where employees earned above the upper earnings limit of the CJRS, their pay was topped up by the Company to 80% of pay. Therefore, no employees, other than those detailed above, received less than 80% of their normal pay during the closure period.
- A communications plan was put in place so that employees could be kept updated. This included the use of social channels, online portals and regular written and video updates from the Chief Executive and Group Human Resources Director.
- All employees were able to access wellbeing support, and during the closure period there was a substantial take up of these services. Employees were also encouraged to undertake personal development training during the closure period.

The CJRS has been an invaluable support to employees throughout the closure period, with around £165m of financial support being received as at the end of FY 2020. Our aim throughout the closure and subsequent reopening of the business has been, in line with the principles of the CJRS, to protect jobs as far as possible.

Mitchells & Butlers began to reopen in the UK from 4 July 2020 and within weeks almost all of the estate was trading. Sales during July exceeded expectations and performance improved further through August with consumer confidence boosted as a result of Eat Out to Help Out, which enabled the industry as a whole to demonstrate the measures that had been put in place to ensure guest safety. This increased confidence meant that strong trading continued into September. The additional support received from the temporary reduction in VAT and business rates relief have also been important factors in the recovery of the business.

Overall, during FY 2020 like-for-like sales fell by 3.5%. Until closure like-for-like sales were growing at 0.9%, and on track to be ahead of the market for the fourth year running.

Unfortunately, the additional restrictions that have been introduced since the start of FY 2021 have had a significant impact on our trading performance.

FY 2020 REMUNERATION OUTCOMES

Annual Bonus

The annual bonus plan for FY 2020 again had four elements: Adjusted Operating Profit[a] (hereafter referred to as Operating Profit), Guest Health, Employee Engagement and Food Safety. The plan measures reflect the overall business scorecard aligning all employees from Retail Management through to the Executive Committee.

FINANCIAL MEASURES – OPPORTUNITY 70% (OUT OF 100%)

In setting the FY 2020 Operating Profit target, the Committee again took into consideration a number of factors. The business has faced challenging cost headwinds, running at around £60m per year in each of the last three years. The outlook at the start of FY 2020 was slightly improved, with costs estimated to increase by around £55m. On this basis the Committee felt that maintaining a flat level of Operating Profit would be a very credible performance, requiring continued market leading sales growth and for many of the Ignite initiatives to deliver strongly over the financial period. The Committee were also mindful of the ongoing uncertainty regarding Brexit. Target performance (where 50% of maximum is payable) was therefore set at £317m, this being equal to the reported Operating Profit for FY 2019.

The Covid-19 pandemic has resulted in an economic shock on an unprecedented scale, and closure for a large part of the second half of the financial period had a significant adverse impact on FY 2020 performance, resulting in a full year Operating Profit of £99m. The Committee did not feel that it would be appropriate to adjust targets or exercise any discretion in the circumstances and therefore no bonus is payable in respect of the financial element of the scheme.

NON-FINANCIAL MEASURES – OPPORTUNITY 30% (OUT OF 100%)

The non-financial elements are subject to a financial performance underpin which requires 97.5% of the Operating Profit target to be achieved to trigger any payment under the non-financial element. As a result, no bonus is payable for any of the non-financial elements. Please refer to pages 82 and 83 which explain the rationale used to set targets and where applicable the outcome at the point the business was forced to close in March. Where possible an indication on performance since reopening is provided.

Performance Restricted Share Plan ('PRSP') (Nil Vesting)

The 2018/20 PRSP performance condition had two independent elements: Operating Cash Flow before separately disclosed items, movements in working capital and additional pension contributions (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR (25% weighting). Prior to the Covid-19 pandemic, vesting was projected to be above threshold for the Operating Cash Flow measure and TSR performance was tracking above median. However, the impact of the pandemic has severely impacted performance in the final year of the plan. Operating Cash Flow over the period was £1,070m and below the level required for threshold vesting (£1,306m), and TSR was below the median of the comparator group. As a result, awards under both elements lapsed. The Committee has not exercised discretion to the vesting outcome of the PRSP.

There are two other active PRSPs, covering the 2019/21 and 2020/22 performance periods. As a result of the Covid-19 pandemic the Committee does not currently anticipate any vesting from the Operating Cash Flow element of either plan.

REMUNERATION POLICY RENEWAL AND APPROACH FOR FY 2021

Our remuneration policy was approved at the 2018 Annual General Meeting ('AGM'), with 97% of shareholders voting in favour of the policy. No significant changes to the policy have been introduced since its approval although, where possible, a proactive approach has been taken to adopting emerging best practice. The Committee is committed to providing transparent disclosure and in particular we first reported our CEO pay ratio in 2016 and had already illustrated the impact of a 50% increase in share price on long-term incentive plan ('LTIP') vesting in the illustrations of remuneration policy.

Our policy is due for approval at the 2021 AGM and over the course of 2020 the Committee has undertaken a comprehensive review. However, the Committee has concluded that more time is needed to ensure that the new policy is fit for purpose in the context of the ongoing Covid-19 pandemic and the continuing challenges and uncertainties in the operating environment. Over the coming weeks it is our intention to consult with shareholders and investor groups and feedback from this process will be taken into account in determining our remuneration policy for shareholder approval. Full details of the proposed policy will then be included in the Notice of Meeting for the 2021 AGM which is due to be held on 24 March 2021. The Committee is also cognisant of a number of areas of particular focus for shareholders and the requirements of the 2018 UK Corporate Governance Code, particularly in relation to Executive pensions and post-cessation holding periods, and has discussed these issues on a number of occasions through the year. The Committee feels that it would be more straightforward to present the entire proposed policy, including addressing these important matters, in a single communication. At the same time we will also outline how the new policy will apply for FY 2021. However, I can confirm that there will be no increases to base pay for Executive Directors and that the fees of the Chairman and Non-Executive Directors will also remain unchanged for 2021.

IMELDA WALSH
Chair of the Remuneration Committee
25 November 2020

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').

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 161 and 162 of this report.

Executive Remuneration Summary

This section briefly highlights performance and remuneration outcomes for FY 2020, and how they compare to the current remuneration policy. More detail can be found in the Annual Report on remuneration on pages 80 to 89. Full details of the remuneration policy can be found on the mbplc.com website.

FY 2020 SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS

	Basic salaries £000	Taxable benefits £000	Short-term incentives £000	Pension-related benefits £000	Long-term incentives £000	Other £000	Total remuneration £000
Phil Urban	468	15	–	70	–	–	553
Tim Jones	391	15	–	59	–	–	465
Total	**859**	**30**	**–**	**129**	**–**	**–**	**1,018**

The single figure table sets out payments made to Executive Directors in respect of FY 2020, including base salary taking into account the 40% pay cut during the closure period, annual bonus earnings, long-term incentives, payments made in lieu of pension contributions and taxable benefits such as a company car, car allowance and healthcare cover.

FY 2020 ANNUAL BONUS

The annual bonus was based on two elements: 70% on Operating Profit and 30% on non-financial scorecard measures.

	Target (50% of maximum)	Actual
Operating Profit	£317m	£99m
Guest Health		
Net Promoter Score ('NPS')	61.0	61.9
Social Media	4.09	4.18
Complaints	0.57	0.52
Employee Engagement	81.5	80.1
Safety	98.3	98.9

Based on the above outcomes, no bonus is due to any Executive Director. The Guest Health and the Safety outcomes are the performance over the year, excluding the closed period. The employee engagement outcome is the combined score of the two Pulse surveys held in the 2020 financial period.

FY 2020 PRSP VESTING

2018/20 PRSP – performance conditions	Threshold (25%) to maximum (100%) range*	Actual	% vesting
Operating Cash Flow (75% of the award)	£1,306m to £1,336m	£1,070m	Nil
Total Shareholder Return relative to peer group** (50% weighting)	25% would vest for matching the median of the group. 100% would vest for TSR performance that exceeds the median by 8.5% p.a.	Below median	Nil

* Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.

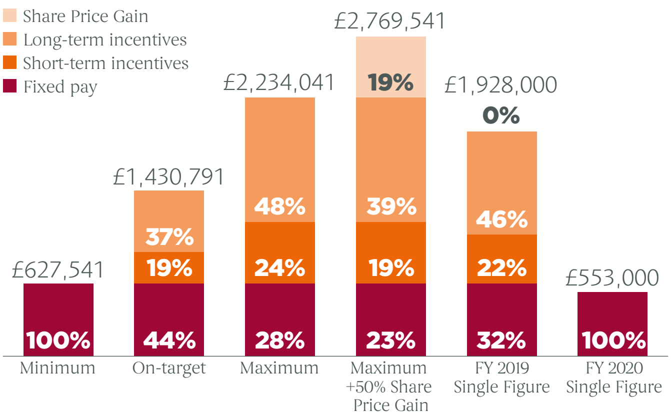
** Comprising EI Group, Greene King, Marston's, The Restaurant Group, Wetherspoon (JD) and Whitbread (the 'peer group').

Additional remuneration information

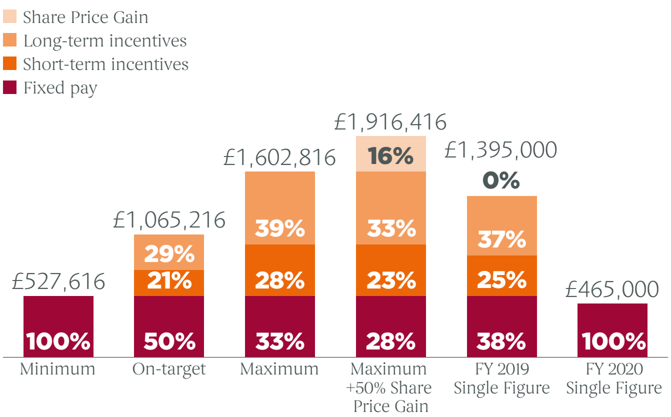
APPLICATION OF REMUNERATION POLICY

A key principle of the Group's remuneration policy is that variable short-term 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 Chief Executive and Chief Financial Officer at minimum, on-target and maximum levels, including the impact of a 50% increase in share price on the LTIP outcome. The charts also show the actual Single Total Figure outcome for FY 2019 and FY 2020.

Chief Executive



Chief Financial Officer



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 2020. Benefits are based on actual FY 2020 figures and include company car allowance, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable from 1 January 2020.

ON-TARGET

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

- 50% of maximum (50% of base salary for the Chief Executive and Chief Financial Officer) is payable under the short-term incentive plan; and
- 50% of the award (100% of base salary for the Chief Executive and 70% of base salary for the Chief Financial Officer) is payable under the long-term incentive plan.

MAXIMUM

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

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

SHARE PRICE GAIN

This shows the impact a 50% increase in the share price would have on the LTIP outcome.

PAY RATIOS AND GENDER PAY

The table below sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles.

	Chief Executive pay ratio		
Financial year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	37:1	35:1	35:1
2019	120:1	112:1	106:1

More detail in relation to the pay ratio calculation can be found on page 88.

The table below provides a summary of gender pay data for the Group.

Financial year	**2019 %**	2018 %	2017 %
Mean Pay Gap	**6.1**	7.4	8.1
Median Pay Gap	**3.2**	4.7	5.2
Mean Bonus Gap	**33.5**	38.5	27.6
Median Bonus Gap	**15.4**	29.2	20.6

We have not yet calculated or reported on the 2020 gender pay gap due to the impact on pay resulting from the coronavirus pandemic.

In 2019, at a Group level, the pay gap reduced overall on both measures and the median pay gap compares very favourably to the current national average of 17.3%. A number of ongoing initiatives have underpinned the improvement of our gender pay gap, including the establishment of a Diversity and Inclusion Steering Group, a review of our family friendly policies and the implementation of a new talent management process. Full details can be found in our gender pay report on the Company website.

MITCHELLS & BUTLERS' REMUNERATION PRINCIPLES

Shareholder alignment
A high proportion of reward is delivered in the form of equity, ensuring Executives have strong alignment with shareholders.

Competitive
Providing reward that promotes the long-term success of the business whilst enabling the attraction, retention and motivation of high-calibre senior Executives.

Performance-linked
A significant part of an Executive's reward is linked to performance with a clear line of sight between business outcomes and the delivery of shareholder value.

Straightforward
The remuneration structure is simple to understand for participants and shareholders and is aligned to the strategic priorities of the business.

These same principles apply throughout the organisation and are adapted as appropriate for specific employee groups. A good example of this is how these principles apply to our General Managers. A competitive package is important for this group as they are fundamental to the day-to-day success of the business and the current recruitment market remains challenging in some geographical areas, with a shortage of high-calibre managers. As with Executives, a high proportion of potential reward for this group is based on performance and the overall structure is straightforward to understand. There is a lesser weighting on equity, but all General Managers can participate in any of the all employee share schemes, subject to qualifying service, therefore building their own stake in the business.

Equally the above principles are applied to our hourly paid team members. Whilst the Covid-19 pandemic has resulted in a recruitment market that has more active candidates, we have also seen immigration from the EU fall, both as a result of the pandemic and Brexit. Therefore, competitive pay remains a priority and in particular for skilled kitchen roles where there remains a shortage of high-quality talent. Although base pay for our hourly paid team members is not linked to performance, there is a strong link to performance where there are opportunities to earn tips and where a service charge is applied (100% of which are retained by the team with no administration charge), and more broadly, the good performance of the Company allows for more investment in pay. Pay structures for this group are straightforward and, as with other employees, hourly paid team members can participate in any of the all-employee share schemes, subject to qualifying service.

REMUNERATION BELOW EXECUTIVE DIRECTOR LEVEL
The table below demonstrates how the key elements of Executive pay align with the wider workforce:

	Base pay	Bonus	Long-term incentives	All-employee share plans
Executive Directors **Executive Committee** **Senior management**	Pay broadly around mid-market levels. Overall, increases (in percentage terms) consistent across all salaried employee groups.	Bonus schemes for all schemes align to the business scorecard. The majority of bonus opportunity is linked to financial performance.	Measures and targets for long-term incentive plans consistent for all participants.	All employees can participate in any of the all-employee share schemes, subject to qualifying service, building a stake in the business.
Retail Support Centre **Retail managers**				
Retail team members	Pay set in line with market requirements and closely monitored. Base pay for many employees is ahead of the statutory minimums. Many employees benefit from tip and service charge, and it is Mitchells & Butlers' policy to pass 100% of these earnings on to employees.	Our pay approach is aimed at providing regular and predictable earnings through competitive base pay for our retail team members. This is valued more highly than variable pay elements for retail team members and is in line with our 'competitive' and 'straightforward' remuneration principles.		

Workforce engagement
Whilst not specifically consulted on Executive remuneration, feedback from employees is gathered in a number of ways through the year as shown in the illustration below:

Remuneration Committee

Employee survey
Outcomes reviewed by the Remuneration Committee and taken into account when setting remuneration policy.

Chief Executive roadshows
The Chief Executive and CFO normally hold regular roadshows that allow both Retail Support Centre colleagues and General Managers an opportunity to discuss business issues and provide feedback.

Employee forum
Elected representatives have direct access to the Executive Committee and for Executive remuneration matters, the Remuneration Committee chair.

Overview of pay and policy decisions
Committee members are updated on employee terms and conditions and made aware of significant changes to policies and other pay related matters.

Nominated Non-Executive Director
A Non-Executive Director (Dave Coplin) has been appointed to engage with employees and report back to the Board. Dave Coplin is a member of the Remuneration Committee.

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees and particularly so in FY 2020, given Covid-19 and how the Coronavirus Job Support Scheme has supported employees and the way in which the Company has communicated and engaged with employees over the course of the pandemic.

Where significant changes are proposed to employment conditions and policies elsewhere in the Group, or there are important employee related projects underway, these are highlighted for the attention of the Committee at an early stage. Over the course of FY 2020 these updates included an overview of the key people metrics across the business, including turnover rates, internal career progression and engagement. In addition, the Committee were also updated on work to retain kitchen teams and our apprenticeship strategy.

The Committee takes into account the base pay review budget applicable to other employees when considering the pay of Executive Directors. 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.

All employees are invited to take part in our employee engagement surveys. These provide all employees with an opportunity to give anonymous feedback on a wide range of topics of interest or concern to them. The Committee reviews these results and any significant concerns over remuneration would be considered separately by the Committee and, if appropriate, taken into account when determining the remuneration policy and its implementation.

In addition, an employee forum is normally held twice every year, which gives the opportunity for employees to ask questions of senior management via elected representatives, and from FY 2020 has been attended by Dave Coplin. The last meeting took place just prior to the closure of the business in March. It is anticipated that the employee forum will recommence in early 2021, either virtually or in person.

THE MITCHELLS & BUTLERS 'PEOPLE PROMISE'

In FY 2019 we explained how our clearly defined people promise enabled us to differentiate our employment proposition, and the diagram below illustrates in more detail the elements of our people promise. Clearly pay is a very important element but other factors also play an important part of the overall value proposition, which is known internally as our 'People Promise'.

Our people value opportunities for progression, challenge within their role, fair rewards and a safe working environment. Our research has also shown that, in normal times, unlike some industries and employers, Mitchells & Butlers offers a number of important differentiators which our employees value:

- Flexibility and convenience: Mitchells & Butlers has always promoted a flexible approach to working from the frontline through to our support centre. The requirement to work remotely as a result of the Covid-19 pandemic has further demonstrated how flexibility and convenience are an ever more important factor. At the frontline, colleagues have embraced different working patterns and processes and we have been able to support employees who may not have been able to return to their normal hours on reopening.
- More job satisfaction: As part of our research we learnt that working for Mitchells & Butlers gave employees a strong sense of family and that employees put a high value on the day-to-day variety of work. This comes through very strongly in our survey results.
- A great atmosphere: Undoubtedly working in hospitality, especially at the frontline, is hard work. However, we also know that it can be great fun. Our aim at Mitchells & Butlers is to make the working environment as fun and friendly as possible whilst ensuring that guests receive great service.

Although the business was closed for a large part of the last financial period, it became clear during this time that many of the elements of our People Promise remained important and relevant to our people. For example, the fun and friendly atmosphere of working in a busy pub or restaurant was recreated virtually through a social media group that over 7,000 employees are members of. During lockdown, participants in this group created their own Mitchells & Butlers cookbook which was sold online to raise money for charity, held online DJ sessions and brought together a community of Mitchells & Butlers employees to support each other through the lockdown period and beyond. The security of working for a large organisation was also clearly something that employees valued during this period, which was reflected in our latest engagement survey.

An employee value proposition does not remain static once defined, and major events like Covid-19 will result in employees reassessing what is important to them and their work. Therefore, over the coming year a key action will be to review and refresh our research so the Mitchells & Butlers 'People Promise' remains fit for purpose.

Annual report on remuneration

This section details the remuneration payable to the Executive and Non-Executive Directors (including the Chairman) for the financial period ended 26 September 2020 and how we intend to implement our remuneration policy for the 2021 financial period. This report, along with the Chair's annual statement, will be subject to a single advisory vote at the AGM on 24 March 2021.

COMMITTEE TERMS OF REFERENCE

The Committee's terms of reference were reviewed and updated in 2019 to take account of the 2018 UK Corporate Governance Code.

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 is to ensure that the remuneration policy promotes the long-term success of the Company;
- determining the individual remuneration packages of the Executive Directors and other senior Executives (including the Company Secretary and all direct reports to the Chief Executive), and in discussion with the Executive Directors, 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.

Name	Date of appointment to the Committee
Imelda Walsh (Chair)*	11 July 2013
Colin Rutherford*	11 July 2013
Bob Ivell	11 July 2013
Eddie Irwin	11 July 2013
Dave Coplin*	29 Feb 2016
Josh Levy	20 July 2017
Jane Moriarty *	27 February 2019
Susan Murray *	8 March 2019

* Independent Non-Executive Directors.

COMMITTEE ACTIVITY DURING THE YEAR

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

October 2019	• CEO Pay Review
	• Executive Committee Pay Review
	• Short and Long Term Incentive Plan targets
	• Executive Pension Contributions
	• Clawback and Malus Provisions
November 2019	• 2019 Bonus Approval
	• 2017/19 Long-Term Incentive Plan vesting
	• 2020/22 Long-Term Incentive Plan targets
March 2020	• Review of workforce terms and conditions
	• Remuneration Policy Review
	• All Employee Share Schemes
April 2020	• Adjustments to salaries and fees for Board and Executive Committee members
July 2020	• Remuneration Policy Review
	• Market Practice update
September 2020	• Remuneration Policy Review
	• Covid-19 Employee Response update

ADVICE TO THE COMMITTEE

The Committee received advice from PwC LLP ('PwC') during the year. PwC were appointed following a competitive tender process during 2018. PwC are signatories 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 £43,125[1] and were charged on a time and materials basis.

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 and Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are discussed. 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-term 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 THE AGM

At the last AGM (held on 21 January 2020), the resolution on the Annual report on remuneration was subject to an advisory vote. Set out in the table below are details of the relevant shareholder votes:

	Votes cast	Votes for[a]	%	Votes against	%	Votes withheld[b]
Annual report on remuneration	373,471,624	370,218,405	99.13	3,253,219	0.87	163,019

Our Directors' Remuneration Policy was approved at the 2018 AGM on 23 January 2018, and the voting outcomes were as follows:

	Votes cast	Votes for[a]	%	Votes against	%	Votes withheld[b]
Remuneration Policy	368,083,115	357,056,085	97.00	11,027,030	3.00	244,331

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 81 to 85 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 below set out the single figure remuneration received by the Executive Directors and the Non-Executive Directors during the reporting year. Details of performance under the annual bonus plan are set out on pages 82 and 83.

EXECUTIVE DIRECTORS

	Basic salaries[a] £000		Taxable benefits[b] £000		Short-term incentives £000		Pension related benefits[c] £000		Long-term incentives[d] £000		Other[e] £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2020	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019
Phil Urban[e]	**468**	516	**15**	16	**–**	423	**70**	91	**–**	879	**–**	3	**553**	1,928	**553**	626	**–**	1,302
Tim Jones[e]	**391**	432	**15**	16	**–**	354	**59**	76	**–**	514	**–**	3	**465**	1,395	**465**	527	**–**	868
Sub-total Executive Directors	**859**	948	**30**	32	**–**	777	**129**	167	**–**	1,393	**–**	6	**1,018**	3,323	**1,018**	1,153	**–**	2,170

NON-EXECUTIVE DIRECTORS

	Fees[a] £000		Taxable benefits[f] £000		Short-term incentives £000		Pension related benefits £000		Long-term incentives £000		Other £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2020	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019	**FY 2020**	FY 2019
Bob Ivell	**249**	284	**1.5**	2	**–**	–	**–**	–	**–**	–	**–**	–	**250.5**	286	**250.5**	286	**–**	–
Ron Robson	**46**	53	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**46**	54	**46**	54	**–**	–
Stewart Gilliland[g]	**–**	16	**–**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**–**	16.5	**–**	16.5	**–**	–
Eddie Irwin	**46**	53	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**46**	54	**46**	54	**–**	–
Colin Rutherford	**58**	65	**0.5**	2	**–**	–	**–**	–	**–**	–	**–**	–	**58.5**	67	**58.5**	67	**–**	–
Imelda Walsh	**58**	65	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**58**	66	**58**	66	**–**	–
Josh Levy	**46**	53	**0.5**	1	**–**	–	**–**	–	**–**	–	**–**	–	**46.5**	54	**46.5**	54	**–**	–
Dave Coplin	**58**	57	**1**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**59**	57.5	**59**	57.5	**–**	–
Keith Browne	**46**	53	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**46**	54	**46**	54	**–**	–
Susan Murray[h]	**58**	37	**0.5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**58.5**	37	**58.5**	37	**–**	–
Jane Moriarty[h]	**46**	30	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	30	**47**	30	**–**	–
Sub-total Non-Executive Directors	**711**	766	**5**	10	**–**	–	**–**	–	**–**	–	**–**	–	**716**	776	**716**	776	**–**	–
Total Executive Directors and Non-Executive Directors	**1,570**	1,714	**35**	42	**–**	777	**129**	167	**–**	1,393	**–**	6	**1,734**	4,099	**1,734**	1,929	**–**	2,170

a. Both Executive and Non-Executive Directors waived a proportion of their salary/fees during the business closure period. The value of this waiver was £62,441 for the Chief Executive and £52,238 for the Chief Financial Officer.
b. Taxable benefits for the year comprised car allowance, healthcare and taxable expenses.
c. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
d. The value of the PRSP vesting in 2019 has been amended to reflect the actual value at vesting, which was estimated in the 2019 Annual Report.
e. Includes the award of free shares under the SIP.
f. 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).
g. Stewart Gilliland stepped down from the Board on 31 December 2018.
h. Jane Moriarty and Susan Murray were appointed to the Board on 27 February 2019 and 8 March 2019 respectively.

ANNUAL BONUS AND STDIP

The annual bonus and STDIP operate as set out in our remuneration policy which is available on the Company's website. Details of the measures and targets applying to the FY 2020 plan are set out below:

	Threshold – 95% of Target (% of salary payable)	Target (% of salary payable)	Maximum – 103% of Target (% of salary payable)	Outcome (% of salary payable)
Adjusted Operating Profit (70%)	£301m	£317m	£326.5m	£99m
	(0%)	(35%)	(70%)	(0%)

	Target	Calculation of outcome (% of salary payable)	Performance (Score)	Outcome (% of salary payable)
Guest Health (15%)				
Net Promoter Score ('NPS')	61.0	Each element is scored 1 if better than target, 0 if on target, and -1 if below target.	61.9	
Social Media Score (reputation.com)	4.09		4.18	
Complaints Ratio	0.57		0.52	
		• If the sum of these scores is +3 then maximum bonus is paid. (15%) • If the sum of these scores is +1 or +2 then an on-target payment would be made. (7.5%) • If the sum of these scores is 0 then threshold bonus is paid. (3.75%)		Nil

	Threshold (% of salary payable)	Target (% of salary payable)	Maximum (% of salary payable)	Outcome (% of salary payable)
Employee Engagement (10%)*	80.5	81.5	82.5	80.1
	(2.5%)	(5%)	(10%)	Nil

	Target (% of salary payable)	Outcome (% of salary payable)
Food Safety (5%)	98.3	98.9
	(5%)	Nil

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

FINANCIAL MEASURES – MAXIMUM 70% (OUT OF 100%)

Operating Profit (outcome 0% out of 70%)

In setting the FY 2020 Operating Profit target, the Committee again took into consideration a number of factors. The business has faced challenging cost headwinds running at around £60m per year in each of the last three years. The outlook at the start of FY 2020 was slightly improved, with costs estimated to increase by around £55m. On this basis the Committee felt that maintaining a flat level of Operating Profit would be a very credible performance, requiring continued market leading sales growth and for many of the Ignite initiatives to deliver strongly over the financial period. The Committee were also mindful of the ongoing uncertainty regarding Brexit. Target performance (where 50% of maximum was payable) was therefore set at £317m, this being equal to the reported Operating Profit for FY 2019.

The Covid-19 pandemic has resulted in an economic shock on an unprecedented scale, and the closure of the business for a large part of the second half of the financial period had a significant adverse impact on FY 2020 performance, resulting in a full year Operating Profit of £99m. The Committee did not feel that it would be appropriate to adjust targets or exercise any discretion in the circumstances and therefore no bonus is payable in respect of the financial element of the scheme.

NON-FINANCIAL MEASURES – MAXIMUM 30% (OUT OF 100%)

The non-financial elements are subject to a financial performance underpin which requires 97.5% of the Operating Profit target to be achieved to trigger any payment under the non-financial element. As a result, no bonus is payable for any of the non-financial elements. The section below explains the rationale used to set targets and where applicable the outcome at the point the business was forced to close in March and, where possible, an indication on performance since reopening is provided.

Guest Health (outcome 0% out of 15%)

The measurement of Guest Health at Mitchells & Butlers comprises a combination of three elements: Net Promoter Score ('NPS'); a social media score (reputation.com); and guest complaints. This rounded assessment ensures that Guest Health is measured comprehensively and does not rely on a single measure. All three elements were measured up to the point the business closed in March. On reopening in July, only the reputation.com and complaint scores were measured. The reputation.com score is now considered to be the primary measure of guest satisfaction across the business as it captures the greatest amount of data on guest experience.

The reputation.com target for FY 2020 was set at 4.09. Achieving this target would have required year-on-year growth at the same level as seen in FY 2019, where the reputation.com score was at its highest ever level. This was an ambitious target, as improvements above a 4.0 score become progressively more difficult. Broadly speaking, a 0.1 increase would require around 100,000 additional 4 or 5 ratings, or the conversion of around 50,000 scores from below 4 to over 4. At the point the business was forced to close in March, the year to date score was 4.12. From reopening, reputation.com scores have been at a record level, with an overall score between reopening and the financial period end of 4.3. leading to an overall score across the year of 4.18.

For FY 2020 the NPS target was set at 61, a stretch from the FY 2019 outturn which was 60.3. The guest complaints score was set at 0.57 complaints per 1,000 meals, the first time a target has been set below 0.60 complaints per 1,000 meals, and the overall score for the year was 0.52.

Employee engagement (outcome 0% out of 10%)
A clear correlation has been established between employee engagement and guest satisfaction, which, in turn, has a positive impact on sales performance. The overall score in FY 2019 was 81.3, the highest ever engagement score recorded at Mitchells & Butlers. The target set for FY 2020 was 81.5, a modest increase over the prior year. Normally two surveys are conducted each year, a comprehensive survey in June supplemented by a shorter 'Pulse' survey in February. Overall, around two-thirds of our employees contribute to these surveys, providing valuable and robust insight into employee satisfaction.

The February Pulse survey took place as normal in FY 2020, just prior to the business closing, but the decision was taken to not proceed with the main survey and instead a further Pulse survey took place at the end of FY 2020. This meant that employee engagement was measured pre and post the closure period. The combined engagement score across both surveys was 80.1, which in the circumstances is a very good performance. An additional non-scoring wellbeing survey was also undertaken during the business closure period to understand how well employees had coped with lockdown and also to understand any concerns about returning to work. Overall employees felt that they had coped with lockdown and that the support and communication from the Company throughout the lockdown period was helpful. Employees also felt reassured by the Covid-safe procedures put in place on reopening.

Food safety (outcome 0% out of 5%)
This measure of Food Safety is based on the number of businesses that achieve either a 4 or 5 rating in the independently operated National Food Hygiene Rating System ('NFHRS'). The stretching target set for FY 2020 was for 98.3% of businesses to achieve a score of either 4 or 5 over the year and at the time of closure the score was 98.8%.

Final bonus outcome
Prior to the closure of the business, performance was strong across all annual bonus measures. The Covid-19 pandemic has had a significant adverse impact on trading performance and, in turn, the financial performance of the business and as a result no bonus is due under any element.

LONG-TERM INCENTIVES VESTING DURING THE YEAR

2018/20 PRSP – performance conditions	Threshold (25%) to maximum (100%) range**	Actual	% vesting
Operating Cash Flow (75% of the award)	£1,306m to £1,336m	£1,070	Nil
Total Shareholder Return relative to peer group* (50% weighting)	25% will vest for matching the median of the group. 100% will vest for TSR performance that exceeds the median by 8.5% p.a.	Below median	Nil

* Comprising EI Group, Greene King, Marston's, The Restaurant Group, Wetherspoon (JD) and Whitbread (the 'peer group').
** Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.

The 2018/20 PRSP performance condition had two independent elements. Operating Cash Flow before separately disclosed items, movements in working capital and additional pension contributions (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR (25% weighting). Prior to the Covid-19 pandemic, vesting was projected to be above threshold for Operating Cash Flow and TSR performance was tracking above median, however the impact of the pandemic has severely impacted performance in the final year of the plan. Operating Cash Flow over the period was £1,070m and below the level required for threshold vesting (£1,306m), and TSR was below the median of the comparator group. As a result, the awards under both elements lapsed.

There are two other active sets of awards under the PRSP, covering the 2019/21 and 2020/22 performance periods. As a result of the Covid-19 pandemic the Committee does not currently anticipate any vesting from the Operating Cash Flow element of either set of awards.

LONG-TERM INCENTIVE AWARDS MADE DURING FY 2020
An award for 2020/22 was made to the Chief Executive and the Chief Financial Officer in November 2019 in accordance with the rules of the PRSP and within the approved Remuneration Policy.

The performance measures were unchanged, with two independent elements, Operating Cash Flow (75% weighting) and relative TSR (25% weighting).

In setting the target range for the 2020/22 award, the Committee considered the anticipated future cost headwinds and the potential benefits from Ignite initiatives.

	Threshold vesting target*	Maximum vesting target*
1. Operating Cash Flow (75% of the award)	£1,509m (25% vests)	£1,539m (100% vests)
2. Total Shareholder Return ('TSR') relative to a peer group of comparator companies (25% of the award)**	25% will vest for matching the median of the group	100% will vest for TSR performance that exceeds the median by 8.5% p.a.

* Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.
** Comprising the FTSE All Share Travel & Leisure index (the 'peer group').

The Operating Cash Flow target is on a post IFRS 16 basis. Options that vest under the TSR element are subject to a share price underpin and if this underpin is not met, then the vested option will lapse.

The Operating Cash Flow and TSR conditions are measured over three years from the start of the financial period in which they are granted and any shares that vest are subject to a further two year holding period. Full details of awards made to Executive Directors under the PRSP are set out below:

	Nil Cost Options awarded during the year to 26/09/20	Basis of award (% of basic annual salary)	Award date	Market price per share used to determine the award (p)*	Actual/ planned vesting date**	Latest lapse date	Face value*** £
Executive Directors							
Phil Urban	228,320	200	26/11/19	455.5	Nov 22	Nov 24	1,066,254
Tim Jones	133,698	140	26/11/19	455.5	Nov 22	Nov 24	624,370
Total	**362,018**						**1,690,624**

* Market price is the middle market quotation on the day prior to the award being made.
** The performance period ends on 24 September 2022.
*** 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 (467p).

The aggregate option price of each award is £1. Performance measurement under the PRSP, which is not re-tested, is reviewed and certified by the Company's auditor.

ALL-EMPLOYEE SIP & SHARESAVE

No awards were made to any employees as part of the all-employee SIP or Sharesave during FY 2020 as over 99% of employees were furloughed during the normal invitation window.

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).

Name of Director	Scheme	Number of shares at 29 September 2019	Granted during the period	Date of grant	Lapsed during the period	Exercised during the period	Number of shares at 26 September 2020	Date from which exercisable	Expiry date
Phil Urban	PRSP 2017/19[a]	397,970	–	Nov 2016	208,736	189,234	–	Nov 2019	Nov 2021
	PRSP 2018/20[b]	393,517	–	July 2018	–	–	393,517	Nov 2020	Nov 2022
	PRSP 2019/21[b]	375,000	–	Nov 2018	–	–	375,000	Nov 2021	Nov 2023
	PRSP 2020/22[b]	–	228,320	Nov 2019	–	–	228,320	Nov 2022	Nov 2024
	STDIP 2017	14,320	–	Dec 2017	–	14,320	–	Dec 2018[c]	Dec 2019
	STDIP 2018	36,988	–	Dec 2018	–	18,494	18,494	Dec 2019[c]	Dec 2020
	STDIP 2019	–	46,965	Dec 2019	–	–	46,965	Dec 2020[c]	Dec 2021
	SAYE 2018	7,317	–	June 2018	–	–	7,317	Oct 2021	Mar 2022
	Total	**1,225,112**	**275,285**		**208,736**	**222,048**	**1,069,613**		
Tim Jones	PRSP 2017/19[a]	232,968	–	Nov 2016	122,192	110,776[d]	–	Nov 2019	Nov 2021
	PRSP 2018/20[b]	230,361	–	July 2018	–	–	230,361	Nov 2020	Nov 2022
	PRSP 2019/21[b]	219,521	–	Nov 2018	–	–	219,521	Nov 2021	Nov 2023
	PRSP 2020/22[b]	–	133,698	Nov 2019	–	–	133,698	Nov 2022	Nov 2024
	STDIP 2017	11,975	–	Dec 2017	–	11,975	–	Dec 2018[c]	Dec 2019
	STDIP 2018	30,932	–	Dec 2018	–	15,466	15,466	Dec 2019[c]	Dec 2020
	STDIP 2019	–	39,285	Dec 2019	–	–	39,285	Dec 2020[c]	Dec 2021
	SAYE 2018	7,317	–	June 2018	–	–	7,317	Oct 2021	Mar 2022
	Total	**733,074**	**172,983**		**122,192**	**138,217**	**645,648**		

a. 50% of this PRSP award is subject to a TSR condition and the other 50% is subject to adjusted EPS growth targets.
b. 75% of this PRSP award is subject to an Operating Cash Flow target and the remaining 25% is subject to a TSR condition.
c. Shares are released in two equal tranches, 12 and 24 months after grant. Date shown is first release date.
d. The market value of these shares on the date of exercise was £843,983 in respect of Phil Urban's award and £494,016 for Tim Jones. The exercise price was £1.

DIRECTORS' INTERESTS

Executive Directors are expected to hold Mitchells & Butlers shares in line with the shareholding guideline set out in the remuneration policy report.

This requires the Chief Executive to accumulate Mitchells & Butlers shares to the value of a minimum of 200% of salary (150% of salary for other Executive Directors) through the retention of shares arising from share schemes (on a net of tax basis) or through market purchases. Phil Urban's shareholding at 26 September 2020 was 73.5% of his basic annual salary (2019 76.6%) and Tim Jones' shareholding was 65.1% of his basic annual salary (2019 78.3%) and as a result the shareholding guideline is not met.

If deferred annual bonus shares that are due to be released in December 2020 are taken into account on a net of tax basis, the Chief Executive's shareholding would be 80.3% of base salary and the Chief Financial Officer's 71.8% of base salary.

Executive Directors' shareholdings are calculated based on the average share price over the final three months of the financial period; for FY 2020 this was 163.2p (FY 2019 327.9p). Prior to the Covid-19 pandemic, based on the projected outcomes for both short-term and long-term incentive plans for FY 2020, it was anticipated that both Executive Directors would have met the shareholding requirement by the end of 2020.

The interests of the Directors in the ordinary shares of the Company as at 26 September 2020 and 28 September 2019 are as set out below:

	Wholly owned shares without performance conditions[a]		Shares with performance conditions		Unvested options/awards without performance conditions[b]		Unvested options/ awards with performance conditions[c]		Vested but unexercised options		Total shares/options	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive Directors												
Phil Urban	**241,283**	121,455	**–**	–	**72,776**	58,625	**996,837**	1,166,487	**–**	–	**1,310,896**	1,346,567
Tim Jones	**178,664**	103,852	**–**	–	**62,068**	50,224	**583,580**	682,850	**–**	–	**824,312**	836,926
Non-Executive Directors												
Bob Ivell	**12,006**	12,006	**–**	–	**–**	–	**–**	–	**–**	–	**12,006**	12,006
Ron Robson	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Eddie Irwin	**31,560**	31,560	**–**	–	**–**	–	**–**	–	**–**	–	**31,560**	31,560
Colin Rutherford	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Imelda Walsh	**7,500**	7,500	**–**	–	**–**	–	**–**	–	**–**	–	**7,500**	7,500
Dave Coplin	**2,042**	2,042	**–**	–	**–**	–	**–**	–	**–**	–	**2,042**	2,042
Josh Levy	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Keith Browne	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Susan Murray	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Jane Moriarty	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**473,055**	278,415	**–**	–	**134,844**	108,849	**1,580,417**	1,849,337	**–**	–	**2,188,316**	2,236,601

a. Includes Free Shares and Partnership Shares granted under the SIP.
b. Options granted under the Sharesave as detailed in the table on page 84 and deferred bonus awards granted under the STDIP.
c. Options granted under the PRSP as detailed in the table on page 84.

Directors' shareholdings (shares without performance conditions) include shares held by persons closely associated with them.

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

Phil Urban and Tim Jones each acquired 168 shares under the Partnership Share element of the Share Incentive Plan between the end of the financial period and 25 November 2020. There have been no changes in the holdings of any other Directors since the end of the financial period. A further update on the holdings of the Directors since the end of the financial period will be included in the Notice of Meeting.

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 26 September 2020 was 135p and the range during the year to 26 September 2020 was 100p to 471p per share.

The Executive Directors as a group beneficially own 0.1% of the Company's shares.

FEES FOR EXTERNAL DIRECTORSHIPS

No external non-executive directorships were held by either Executive Director during the year to 26 September 2020.

PAYMENT FOR LOSS OF OFFICE

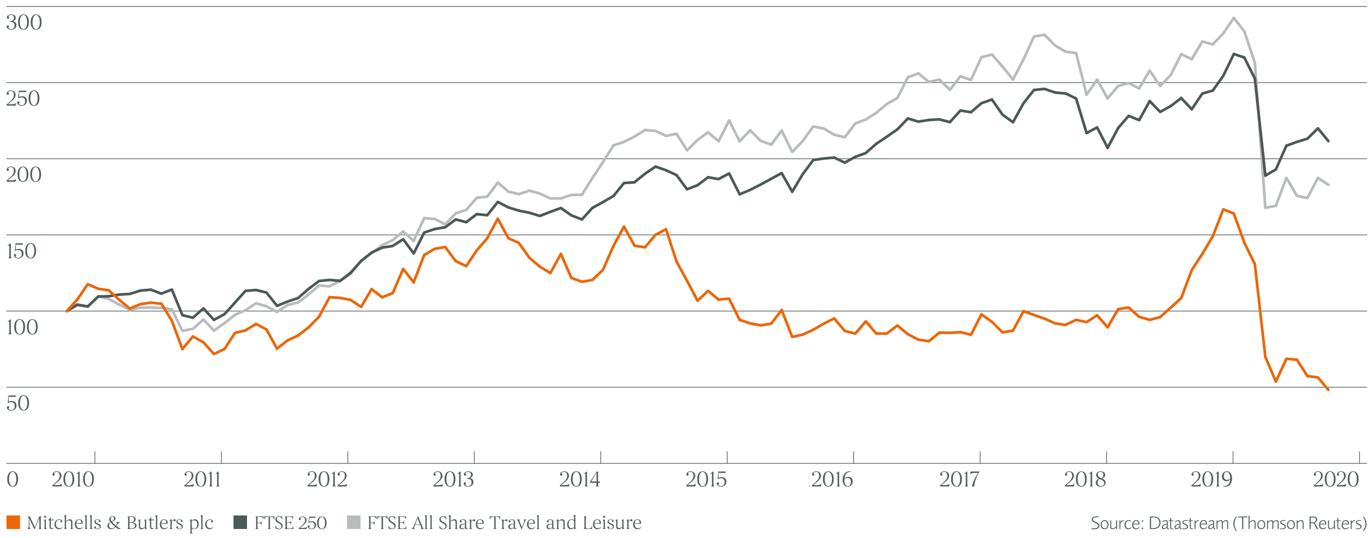
No payments for loss of office were made in the year ended 26 September 2020.

PAYMENTS TO PAST DIRECTORS

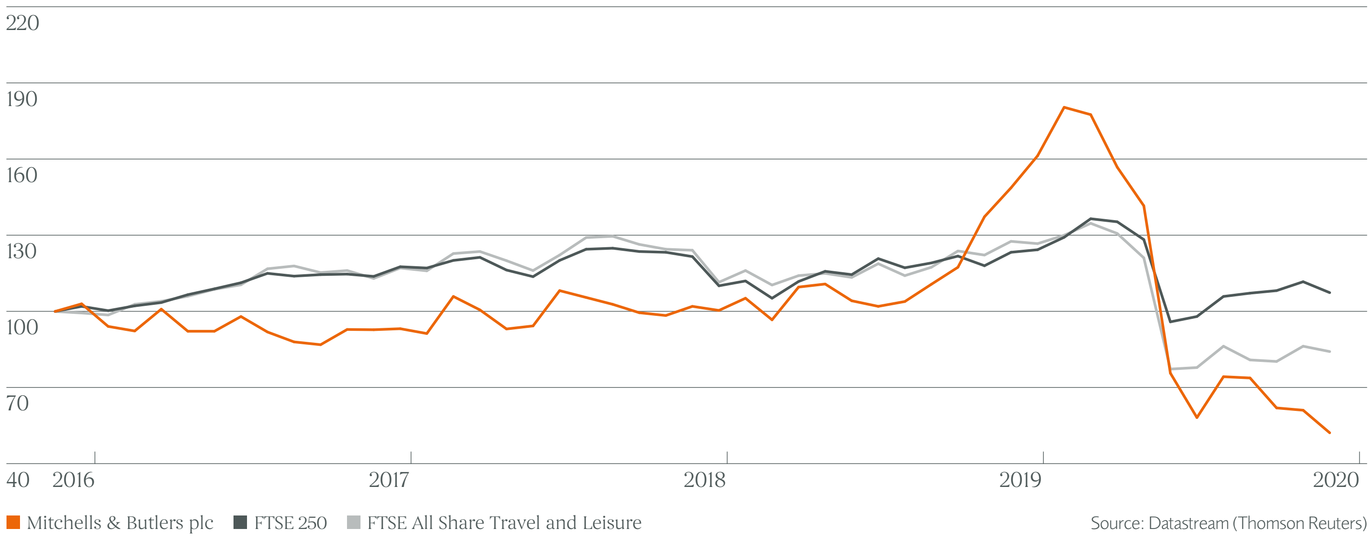
No payments were made to any past Directors in the year ended 26 September 2020.

Total shareholder return from September 2010 to September 2020 (rebased to 100)

This graph shows the value, by 26 September 2020, of £100 invested in Mitchells & Butlers plc on 26 September 2010, compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Travel and Leisure index.



The graph below illustrates the TSR performance over the past four years, which reflects the performance achieved under the current Chief Executive. At the start of this four year period the Chief Executive had been in position for a year and had completed a strategic review of the business, identifying three strategic priorities and had commenced the first wave of Ignite initiatives. Over the period, the performance of the business has steadily improved as further Ignite initiatives have been implemented and this continued until the start of the Covid-19 pandemic.



CEO EARNINGS HISTORY

Year ended	25/09/10	24/09/11	29/09/12	28/09/13	27/09/14	26/09/15	24/09/16	30/09/17	29/09/18	28/09/19	**26/09/20**
Phil Urban											
Single figure remuneration (£000)	–	–	–	–	–	–	613	770	819	1,684	**553**
Annual bonus outcome (% of max)	–	–	–	–	–	–	–	28	39	82	**–**
LTIP vesting outcome (% of max)	–	–	–	–	–	–	–	–	–	47.5	**–**
Alistair Darby											
Single figure remuneration (£000)	–	–	–	982[a]	642	878	–	–	–	–	**–**
Annual bonus outcome (% of max)	–	–	–	71.0	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	–	–	–	n/a	n/a	19.0	–	–	–	–	**–**
Bob Ivell											
Single figure remuneration (£000)	–	–	557	69[b]	–	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	–	–	n/a[c]	n/a[c]	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	–	–	n/a[c]	n/a[c]	–	–	–	–	–	–	**–**
Jeremy Blood											
Single figure remuneration (£000)	–	397	50	–	–	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	–	–[d]	n/a[c]	–	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	–	n/a[c]	–	–	–	–	–	–	–	–	**–**
Adam Fowle											
Single figure remuneration (£000)	1,315	483[e]	–	–	–	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	87.6	16.0	–	–	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	16.2	24.2	–	–	–	–	–	–	–	–	**–**

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.

YEAR-ON-YEAR CHANGE IN REMUNERATION OF DIRECTORS COMPARED TO AN AVERAGE EMPLOYEE

	2020		
	Salary/Fees	**Bonus**	**Benefits**
Average employee	**+4.8%**	**-76.1%**	**+4.7%**
Executive Directors			
Phil Urban	**+3.0%**	**-100.0%**	**-7.4%**
Tim Jones	**+2.9%**	**-100.0%**	**-6.7%**
Non-Executive Directors			
Bob Ivell	**0.0%**	**0.0%**	**-25.4%**
Ron Robson	**0.0%**	**0.0%**	**-0.0%**
Eddie Irwin	**0.0%**	**0.0%**	**-0.0%**
Colin Rutherford	**0.0%**	**0.0%**	**-0.0%**
Imelda Walsh	**0.0%**	**0.0%**	**-74.0%**
Dave Coplin	**0.0%**	**0.0%**	**225.1%**
Josh Levy	**0.0%**	**0.0%**	**-59.2%**
Keith Browne	**0.0%**	**0.0%**	**100.0%**
Susan Murray	**0.0%**	**0.0%**	**157.6%**
Jane Moriarty	**0.0%**	**0.0%**	**443.9%**

Salaries and fees are based on rates at the year-end date on a full time equivalent ('FTE') basis. Hourly paid employees do not participate in any bonus scheme and are not eligible for taxable benefits. The figures shown for these elements are based on the year-on-year change for eligible employees.

The figures for Executive Directors do not include LTIP awards or pension benefits that are disclosed in the single figure table. The benefit figures for Non-Executive Directors relate to taxable expenses as detailed in the single figure table on page 81. Susan Murray and Jane Moriarty did not serve a full financial period in FY 2019.

PAY RATIOS

The table below sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles for 2020, compared to 2019. Data is also presented for 2018 as Mitchells & Butlers has disclosed the pay ratio between the Chief Executive and the median pay of other employees for the last three years, despite not needing to comply with this requirement until the 2020 Annual Report.

	Chief Executive pay ratio			
Financial year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	**Option C**	**37:1**	**35:1**	**35:1**
2019	Option C	120:1	112:1	106:1
2018	Option C	61:1	58:1	52:1

The lower quartile, median and upper quartile employees were calculated based on full-time equivalent base pay data as at 26 September 2020. This calculation methodology was selected as the data was felt to be the most accurate way of identifying the best equivalents of P25, P50 and P75 and, therefore, the most accurate measurement of our pay ratios. Of the three allowable methodologies under the legislation, this method is classed as 'Option C'. Option A was considered but given the high levels of team member turnover, it was felt more appropriate to adopt the approach set out above.

The employee pay data has been reviewed and the Committee is satisfied that it fairly reflects the relevant quartiles given the very large proportion of hourly paid team members employed by Mitchells & Butlers (circa 85% of the total workforce). The three representative employees used to calculate the pay ratios are hourly paid and the base pay elements were calculated using a full-time equivalent hourly working week of 35 hours. Hourly paid employees do not participate in the annual bonus plan or long-term incentive plan and in most cases do not have any taxable benefits. Employee pay does not include earnings from tips and service charge, from which many employees benefit. It is Mitchells & Butlers' policy to pass all earnings from tips and service charges to employees without deduction for administration. The calculations are based on the single figure methodology.

Pay details for the individuals are set out below:

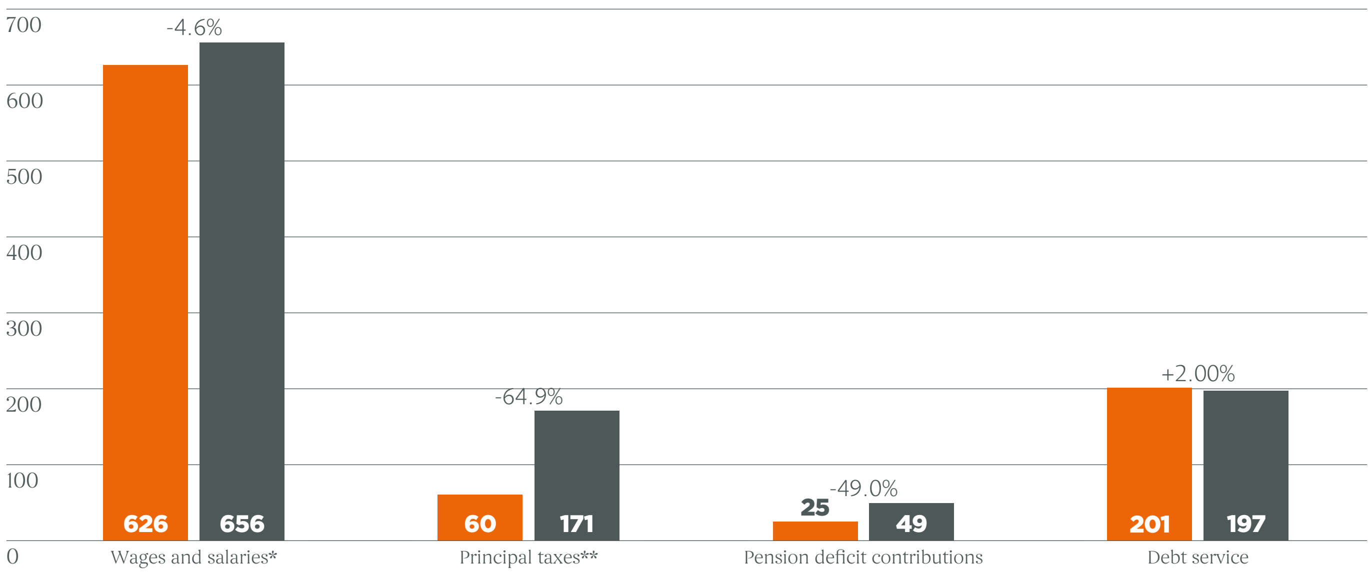
	Chief Executive (£)	P25 (lower quartile) (£)	P50 (median) (£)	P75 (upper quartile) (£)
Salary	467,609	14,924	15,121	15,806
Total pay	552,575	14,924	15,583	15,806

The Chief Executive's base salary increased by 3% from 2019. However, as a result of the temporary waiver of part of his salary during the closure period, actual salary and pension contributions over the year were lower. The median pay ratio based on normal base salary and pension would be 40:1. Employee pay data is based just on worked hours converted to a full time equivalent and therefore were not impacted by furlough pay. On a total pay basis, the ratio of workforce pay to the Chief Executive's total pay has decreased, reflecting the lower level of actual base pay and no annual bonus payout or long-term incentive plan vesting in the year.

As stated above, hourly-paid employees do not participate in the annual bonus plan, where salaried employees do participate in an annual bonus plan (circa 6,000 employees); they have also seen no bonus payout in FY 2020. More broadly, pay in the hospitality sector is lower than many other sectors and this will be an influencing factor in the overall pay ratio, despite significant increases in pay rates over the last few years.

RELATIVE IMPORTANCE OF SPEND ON PAY £m

Figures shown for wages and salaries consist of all earnings, including bonus. In FY 2020, £1.7m (0.3%) was paid to Executive and Non-Executive Directors (2019 £3.5m (0.5%)).



* From note 2.3 to the consolidated financial statements (includes grants received and paid to employees under the Coronavirus Job Retention Scheme, and excludes share-based payments).

** Business Rates, Corporation Tax, Employer's NI.

Details of service contracts and letters of appointment

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

Director	Contract start date	Unexpired term	Notice period from Company	Minimum notice period from Director	Compensation on change of control
Phil Urban[a]	27/09/15	Indefinite	12 months	6 months	No
Tim Jones	18/10/10	Indefinite	12 months	6 months	No

a. 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 of Association, all Directors, including Non-Executive Directors, will stand for re-election at the 2021 AGM. This is also in line with the provisions of the 2018 UK Corporate Governance 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 53.

Copies of 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 2021 AGM.

REMUNERATION POLICY RENEWAL AND APPROACH FOR FY 2021

Our remuneration policy was approved at the 2018 AGM, with 97% of shareholders voting in favour of the policy. No significant changes to the policy have been introduced since its approval although, where possible, a proactive approach has been taken to adopting emerging best practice. The Committee is committed to providing transparent disclosure and in particular we first reported our CEO pay ratio in 2016 and already illustrated the impact of a 50% increase in share price on long-term incentive plan ('LTIP') vesting in the illustrations of remuneration policy.

Our policy is due for approval at the 2021 AGM and over the course of 2020 the Committee has undertaken a comprehensive review. However, the Committee has concluded that more time is needed to ensure that the new policy is fit for purpose in the context of the ongoing Covid-19 pandemic and the continuing challenges and uncertainties in the operating environment. Over the coming weeks it is our intention to consult with shareholders and investor groups and feedback from this process will be taken into account in determining our remuneration policy for shareholder approval. Full details of the proposed policy will then be included in the Notice of Meeting for the 2021 AGM (due to be held on 24 March 2021). The Committee is also cognisant of a number of areas of particular focus for shareholders and the requirements of the 2018 UK Corporate Governance Code, particularly in relation to Executive pensions and post cessation holding periods and had discussed these issues on a number of occasions throughout the year. The Committee feels that it would be more straightforward to present the entire proposed policy, including addressing these important matters, in a single communication. At the same time, we will also outline how the new policy will apply for FY 2021. However, I can confirm that there will be no increases to base pay for Executive Directors and that the fees of the Chairman and Non-Executive Directors will also remain unchanged for 2021.

IMELDA WALSH
Chair of the Remuneration Committee
25 November 2020

a. The Directors use a number of alternative performance measures (APMs) that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 161 and 162 of this report.