Governance

In this section

Chairman's introduction to Governance

Bob Ivell
Chairman

"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. The effects of the pandemic continued into FY 2021 and the repeated lockdowns had an enormous effect on our business, resulting in us having to approach shareholders to strengthen our balance sheet by means of an Open Offer which took place in March 2021.

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 12 to 15. The Corporate Governance Statement on pages 62 to 74 describes the existing governance arrangements already in place, with additional information where Covid-19 required changes to our usual practice.

As at 25 September 2021, the Company had more than 43,000 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.

The Company is required to report under the 2018 UK Corporate Governance Code (the '2018 Code'). The 2018 Code places 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 and sets the expectations for reporting the Board's involvement in these areas. Some of these aspects of the 2018 Code are reflected in the Strategic Report on pages 10 to 46, which sets out the Group's strategy, progress and performance for the year. Meanwhile, the implementation by the Company of the Board focused corporate governance aspects of the 2018 Code are reflected in the Corporate Governance Statement on pages 62 to 74, which sets out the Company's compliance against published governance requirements where there is a narrative explanation as to how the Board has approached compliance with, or in a few limited areas divergence from, the Code's best practice guidance.

Phil Urban heads our climate change policy initiatives, and this subject is picked up in the Strategic Report. However, this important area remains a responsibility of the entire Board and, in order to manage and monitor the Group's approach in detail, the Corporate Responsibility Committee.

During the year, the Board as a whole continued to work together to deal with the many and varied challenges posed by the restrictions arising from the pandemic, together with the continued drain on cash resources from a business which required maintenance with no income to support it. I am deeply grateful both to the Board and all our employees who pulled together so magnificently to remain steadfast in such difficult circumstances.

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. Colin Rutherford and Imelda Walsh, who joined us in 2013, stepped down from the Board on 19 July 2021, and Ron Robson who joined us in 2010, stepped down from the Board on 31 July 2021. I would like to thank all three of them for their dedicated service over the years they were with us, and for their unwavering support, particularly during the course of the pandemic.

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 since FY 2019 which was the last full year prior to the enforced lockdown resulting from the pandemic. These arrangements 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 and this continued into FY 2021. These deviations from the 2018 Code are fully explained on page 66 in 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. However, while the Board considered commissioning such a review, it was decided that the interests of shareholders would be better served by the Board focusing instead on restarting the business following the pandemic and consequently no external evaluation took place in respect of FY 2021. The Board will review this approach as and when it feels it necessary to do so in the context of the circumstances in which the Group is operating. Although there was no formal evaluation carried out during the year, I remain satisfied that the skills, contributions and experience of the Board are appropriate for the challenges faced by the Group during the year and for the future.

Due to the constraints experienced by the Board during FY 2021 and the need to focus attention on the re-establishment of the Group's business, no appraisal of my performance was carried out in FY 2021 although all Directors have the ability to raise any views which they have direct with the Senior Independent Director if they feel this is needed. This will be reconsidered in FY 2022.

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. The Chairperson of each of our Audit Committee and Remuneration Committee and the Senior Independent Director are available for dialogue with shareholders on any significant matters in relation to their areas of responsibility if this is needed.

The Annual General Meeting will be held in January 2022. This year, in view of the continuing uncertainty at the time of preparing this report as to the possibility of infection, we intend to hold a hybrid AGM with the ability for shareholders to participate remotely online as opposed to physical attendance only. The arrangements for holding the AGM will depend on Covid-19 restrictions which are in force at the relevant time and are set out in detail in the separate Notice of AGM published with this Annual Report, though we urge shareholders to consult our website in case any last-minute changes to the arrangements have to be made.

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 rebuild the business and continues to focus on driving future profit growth and creating additional shareholder value.

Bob Ivell
Chairman
Mitchells & Butlers plc

Board of Directors

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, which, as part of the Odyzean Group, is 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 modern society, both inside and outside of the world of work. Dave is also a Non-Executive Director of each of the Pensions and Lifetime Savings Association and Vianet Group plc.

Eddie Irwin
Non-Executive Director
N,C

Appointed as a Non-Executive Director in March 2012, Eddie is a nominated shareholder representative of Elpida Group Limited, which, as part of the Odyzean Group, is 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.

Board of Directors *continued*

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., which, as part of the Odyzean Group, is 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.

Jane Moriarty
Independent Non-Executive Director
A,R,N,C,M

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. and Martin's Investments Limited. Jane was previously a senior advisory partner with KPMG LLP. Jane is Chair of the Audit Committee.

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 each 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 was 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

Directors' report

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 2021, 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 25 September 2021. The Business review and Sustainability review of the Company and its subsidiaries are given on pages 12 to 15 and pages 20 to 21 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 39 and 73 to 74, and details about financial instruments are shown in note 4.3 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 such consideration 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 22 to 25 and in the s.172 statement set out on page 41.

This report has been prepared under current legislation and guidance in force at the year end date. In addition, the material contained on pages 10 to 46 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 2021, the Group had activities in, and operated through, pubs, bars and restaurants in the United Kingdom and Germany. As a consequence of the requirements of the Government and regulatory authorities in the four nations of the United Kingdom and in Germany, for extended periods of time during FY 2021 the Group's businesses in those countries were either closed or subject to varying levels and degrees of operating restrictions.

These periods of closure and of the application of operating restrictions are a matter of public record and, in this Report, we will not repeat them.

Importantly, however, at the end of FY 2021 and continuing through to the date of this Report those mandatory closure requirements and operating restrictions had been relaxed such that the operating and trading environment of the Group's businesses had (and continues to have) in all material respects returned to the normal pattern of activities which existed prior to the Covid-19 pandemic.

A full list of the Company's subsidiaries and their respective country of operation is given on page 160 of the Annual Report.

Share capital and voting rights

The Company's issued ordinary share capital as at 25 September 2021 comprised a single class of ordinary shares of which 596,618,849 shares were in issue and listed on the London Stock Exchange (26 September 2020 429,201,117 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 2,667,858 shares. Details of movements in the issued share capital can be found in note 4.7 to the financial statements on page 157.

Each share carries the right to one vote at general meetings of the Company. The notice of the Annual General Meeting specifies deadlines for exercising voting rights in relation to the resolutions to be 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.

The Group's liquidity position deteriorated significantly during the year as a result of the impact of the Covid-19 pandemic and accordingly on 22 February 2021 the Company announced an underwritten fully pre-emptive Open Offer to raise up to £351 million, in order to provide the Company with the capital to reduce its unsecured debt and to support the Group's secured debt financing through an injection of equity, allowing the Group to meet its fixed obligations. The basis of the Open Offer was 7 new Open Offer shares for every existing 18 shares held, at an offer price of 210p. On 11 March 2021 the Company announced the results of the Open Offer and on 12 March 2021 a total of 166,911,444 new ordinary shares were allotted to Qualifying Shareholders. The gross proceeds of the Open Offer were £350,514,032.40.

During the year, shares with a nominal value of £43,245 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 92 in the Report on the Directors' remuneration.

Dividends

No Final Dividend will be paid in respect of the financial year ended 25 September 2021 (FY 2020 nil). No Interim Dividend was paid during the year (FY 2020 nil).

On 14 February 2021, the Group reached agreement with its three relationship banks for a new £150 million three-year unsecured facility. In addition, extended waivers and amendments until January 2023 were agreed within the Group securitisation to provide flexibility and stability to manage the secured financing structure. Without these extensions certain breaches would have resulted due to the ongoing impact of Covid-19 and the measures taken to stem the spread of the virus. Both the unsecured and secured financing agreements were conditional on completion of the Open Offer. In addition, on completion of the Open Offer, the full £100m of the term loans which the Company had secured, and drawn down, under the Coronavirus Large Business Interruption Loan Scheme was repaid.

In securing these valuable amendments the Group has agreed not to pay an external dividend, undertake any share buy-backs or repurchase bond debt until January 2023 at the earliest.

In addition, the Odyzean Group has indicated that it will support a focus on reinvesting any surplus cash in the Group's businesses and therefore would prefer the Company to prioritise debt repayment and investment in the Group's businesses over the payment of dividends for the foreseeable future.

Interests in voting rights

On 15 February 2021, the Company received notification of the interests of Odyzean Limited, a new holding company formed to consolidate the shareholdings in Mitchells & Butlers of Piedmont Inc., Elpida Group Limited, and Smoothfield Holding Ltd. As at 25 September 2021, 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 25 September 2021

Shareholder	Ordinary Shares	% of share capital*	
Odyzean Limited**	338,833,695	56.79%	Direct holding
Standard Life Aberdeen plc	29,260,403	4.90%	Indirect holding
Standard Life Aberdeen plc (rights to recall lent shares)	170,000	0.03%	Indirect holding
Lansdowne Partners (UK) LLP	29,851,841	5.00%	Indirect holding

* Based on the total voting rights figure as at 25 September 2021 of 596,618,849 shares.
** As the parent company of each of Piedmont Inc., Elpida Group Limited and Smoothfield Holding Ltd.
Percentages are rounded to two decimal places.

No changes took place between 26 September 2021 and 24 November 2021.

Directors

Details of the Directors as at 24 November 2021 and their biographies are shown on pages 50 to 52. The Directors as at 25 September 2021 and their interests in shares are shown on page 92.

During the year, Colin Rutherford and Imelda Walsh both stepped down from the Board on 19 July 2021 and Ron Robson stepped down from the Board on 31 July 2021.

In relation to the appointment and removal of Directors the Company is governed by its Articles of Association and the Companies Act 2006 and related legislation. 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 and relationship agreement

From the start of FY 2021 until February 2021, the two largest shareholders in the Company were Piedmont Inc. ('Piedmont') and Elpida Group Limited ('Elpida'). On 15 February 2021, the Company was notified that a new holding company, Odyzean Limited ('Odyzean'), had been formed to consolidate the shareholdings in the Company of Piedmont, Elpida, and Smoothfield Holding Ltd, in order to address the significant capital needs of Mitchells & Butlers and to provide a clear and consistent framework for those shareholders' future relationship with the Company. Odyzean then confirmed that its priority was to ensure that the Company was re-capitalised and that the future of the business secured, pursuant to which it intended to take up its rights under the Open Offer to the fullest extent possible. It further confirmed that it was fully supportive of the Mitchells & Butlers management team, and that it intended to review the composition of the Board of Directors of Mitchells & Butlers, and to work with the management team to ensure the strategy and structure of the business are appropriate to optimise its long-term success and that the time and cost devoted to public company matters were reduced.

The Board is grateful for the significant financial commitment provided by its major shareholders without which, the prospects for the business, its 1,732 outlets, and over 43,000 UK and German employees would have been bleak. The Company maintains excellent relations with Odyzean, whose investment objectives are fully aligned with those of the Group. Odyzean maintains a dialogue with the Board via the representatives on the Board nominated by Piedmont and Elpida, 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.

Odyzean has nominated representatives on the Board, nominated by Piedmont and Elpida respectively. 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.

On 29 July 2021, the Company confirmed that it had entered into a relationship agreement with Odyzean Limited, in line with the Company's stated intentions at the time of the Open Offer. The Company has complied with the independence provisions of the relationship agreement as required by LR 9.2.2ADR(1) and, so far as the Company is aware, Odyzean Limited and any of its relevant associates have complied (or, as applicable, procured such compliance in accordance with LR 9.2.2BR(2)(a)) with those independence provisions.

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.

The related party transactions in FY 2021 to which the Group was party are set out in note 5.1 to the financial statements.

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
Restricted Share Plan 2021	Awards are automatically released and replaced by an equivalent award in the new controlling company

Employment policies

The Group employed an average of 39,853 people in FY 2021 (FY 2020 44,466). 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.

Directors' report continued

Employee engagement

Details of how the Company addressed employee engagement and wellbeing issues, along with workplace arrangements, arising from the disruption caused in FY 2021 by the Covid-19 pandemic are set out in the summary of Covid-19 responses in the Purpose in Action section of the Strategic Report and on page 63.

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 and Retail Management;
- '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. The Board envisage that the employee voice role will become more active in the coming year as the business recovers from the impact of the pandemic and that the insight Dave Coplin is able to provide will be very helpful to the Board in understanding the views of employees.

Updates on employee matters are normally presented to the Remuneration Committee or Board at least twice a year and cover a wide range of issues. Over the course of FY 2021 these updates have focused on the ongoing response to the pandemic and, in particular, workforce planning, employee engagement and wellbeing and the reinvigoration of our apprenticeship strategy. The Remuneration Committee is also informed where significant changes are proposed to employment conditions and policies elsewhere in the Group, or if there are important employee related projects underway. More detail on how the Remuneration Committee takes into account wider workforce polices and the views of employees in relation to Executive pay can be found on page 86.

During the Covid-19 pandemic, the Chief Executive, Phil Urban, has given fortnightly updates to the whole of the Group's workforce on how the Group has been dealing with the challenges, and opportunities, arising from the effect of closures and reopenings of the Company's trading sites and central offices. These updates were available to all employees, including those on furlough.

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 Mitchells & Butlers 'People Promise'

Our clearly defined people promise enables 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 Covid-19 pandemic has further demonstrated how flexibility and convenience are an ever more important factor for employees across all employee groups.
- 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.

It is clear that as a result of Covid-19 many employees have begun to reassess what is important to them and their work. In addition, other industries have been able to demonstrate how they now can offer careers that provide some elements of our proposition in a way not seen before, for example through very flexible working arrangements. It will therefore be important to review and refresh our research so that our 'People Promise' evolves and remains relevant to current and prospective team members.

Share ownership

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, but were resumed in FY 2021.

The Company also operates three other plans on a selective basis, which are the 2013 Performance Restricted Share Plan, the 2013 Short Term Deferred Incentive Plan and the Restricted Share Plan 2021.

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. During FY 2021, no shares in the Company were purchased in the market by the employee benefit trust, but the trust was allotted a total of 277,144 shares on 12 March 2021, having taken up its entitlement pursuant to the Open Offer.

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 2022 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.

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.

Annual General Meeting

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

Auditor

Deloitte LLP was appointed as the auditor in 2011, following a formal tender process. Further to the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the Audit Committee 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.

A competitive audit tender then took place in June 2021, following which KPMG LLP was selected to become the auditor to the Company in respect of FY 2022. Accordingly, a resolution to confirm the appointment of KPMG LLP will be put to the Annual General Meeting in January 2022.

Funding and liquidity risk

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

The current funding arrangements of the Group consist of the securitised notes issued by Mitchells & Butlers Finance plc (and associated liquidity facility) and £150m of unsecured committed bank facilities (reduced by £100m during the year as part of the Open Offer and refinancing). Further information regarding these arrangements is set out on page 46 and is also included in note 4.1 to the financial statements on page 138. 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 40 (Assessment of viability) and the note to the financial statements on going concern, as part of the refinancing arrangements entered into during FY 2021 a number of waivers and amendments were agreed, as described on page 111.

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.

During the year, the Group has completed the necessary amendments to transition its financing arrangements in advance of the discontinuation of LIBOR as a floating reference rate, replacing LIBOR with a SONIA based rate in respect of Sterling and a SOFR based rate in respect of US Dollars. The amendments in respect of the securitised bonds were agreed by the Bondholders through a formal consent solicitation process and bilateral agreements were reached with securitised swap and liquidity facility providers (using amended reference rates consistent with those agreed under the bonds). The unsecured committed facility was arranged on a SONIA basis in February 2021, so did not require any further amendment.

Directors' report continued

Going Concern

After considering the forecasts, sensitivities and mitigating actions available to management and having regard to the risks and uncertainties to which the Group is exposed, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. However, given the prevailing high level of unpredictability and uncertainty concerning the future incidence of the pandemic the Directors are unable to conclude that the prospect of either a further lockdown or of material restrictions being imposed on the Group's ability to trade is remote. Accordingly, the financial statements continue to be prepared on the going concern basis but with material uncertainty arising from the possible further impact of Covid-19 on the economy and the hospitality sector. Full details are included in note 1 to the financial statements.

Events after the balance sheet date

The post-balance sheet date events are referred to at note 5.3 of the Group's financial statements on page 161.

Greenhouse gas ('GHG') emissions statement

New climate-related disclosures are required in FY 2022 and the reporting aspects are discussed in depth in the Corporate Governance Report on pages 72 and 73. Our climate change policy initiatives are dealt with in the Strategic Report.

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 increased by 0.9% from a location base and reduced by 42.2% from a market base during FY 2021 in comparison to FY 2020 due to four key factors:

1. Although the UK lockdown during the global pandemic led to our sites being closed to the public, most of the portfolio has in-house managers and landlords resulting in the need to heat and light these properties. This led to a similar level of operations with a significant reduction in turnover resulting in negative impact on our intensity ratio.
2. Our approach during the lockdown was to offer take-out services once the initial lockdown measures had eased. This led to a similar level of operations with a reduction in turnover impacting on our intensity ratio.
3. As part of our commitment to carbon reduction we have switched our Scope 2 purchased electricity to green, REGO-backed supplies leading to a significant reduction in market-based emissions.
4. Our continued focus on deploying energy efficiency measures and actions during the lockdown mitigated the impact of the loss of turnover against our intensity ratio resulting in only a minor increase.

Table 3: Mitchells & Butlers' carbon reporting disclosure

Assessment parameters	
Assessment year	FY 2021
Consolidation approach	Financial control
Boundary summary	All bars and restaurants either owned or under operational control during FY 2021 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 because 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 both FY 2021 and FY 2020 on a financial year basis. 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. **Scope 1** – corporate mileage is excluded because collectively it amounts 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 GHG conversion factors for company reporting 2021.
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 FY 2020 are provided for comparative purposes.

Energy efficiency action taken
Throughout the global pandemic and subsequent lockdown phases in the UK we have provided energy efficiency guidance and support to our managers to help mitigate energy and emissions from our sites. The lockdown phases led to a halt of our overall energy efficiency programme and deployment of measures, and we are expecting an increase in activity in this area in the following year as lockdown measures ease.

Commentary
Location and market based reporting methodologies are used due to Scope 2 emissions being derived from REGO backed electricity purchasing within the UK portfolio. For transparency we have reported two intensity ratios; a location-based ratio for both Scope 1 and 2 emissions and a market-based ratio with Scope 2 emissions removed to account for the purchasing of REGO backed electricity.

Directors' report continued

Global GHG emissions and energy use data for FY 2021

	Current reporting year FY 2021			Comparison reporting year FY 2020			
	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	**60,234**	**1,652**	**61,886**	78,000	1,936	79,936	-22.6%
Scope 2 tCO_2e	**45,205**	**1,240**	**46,445**	62,963	1,595	64,558	-28.1%
Total Scope 1 & 2 emissions tCO_2e (location based)	**105,439**	**2,892**	**108,331**	140,963	3,531	144,494	-25.0%
Total Scope 1 & 2 emissions tCO_2e (market based)*	**60,371**	**2,892**	**63,263**	–	–	–	–
Energy Consumption used to calculate the above emissions: kWh	**512,119,253**	**14,048,159**	**526,167,412**	659,958,694	16,556,529	676,515,223	-22.2%
UK Intensity Ratio: tCO_2e/turnover(£m) – (location based)**	–	–	**98.9**	–	–	98.0	0.9%
UK Intensity Ratio: tCO_2e/turnover(£m) – (market based)**	–	–	**56.6**	–	–	98.0	-42.2%

* Note that a market based emissions total was not reported in FY 2020 so comparison is unavailable.
** Intensity ratio is based on the turnover for the financial year of £1,065m.

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
24 November 2021

Directors' responsibilities statement

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 financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 24 November 2021 and is signed on its behalf by:

Tim Jones
Chief Financial Officer
24 November 2021

Corporate governance statement

Bob Ivell
Chairman

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

The Board is responsible for ensuring that the activities of the 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 2021 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 which may be found on pages 12 to 15 of the Strategic Report. Additional corporate governance measures were also implemented during the financial year 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 in May and November respectively, and by way of other announcements as required. The content of these updates is available by webcast on the Company's website, together with general information about the Company so as to be available to all shareholders. The Company has a regular programme of dialogue 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 March 2021 Annual General Meeting, the Company had four resolutions where 20% or more of votes cast were cast against the resolution. These were in respect of the re-election of Bob Ivell, 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 Board and Committee composition in the case of the Chairman, and the status as representatives of our two largest shareholders for the remaining three Directors concerned, 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 further changes to the Board are not currently being considered.

Colin Rutherford and Imelda Walsh both stepped down from the Board on 19 July 2021 and Ron Robson stepped down from the Board on 31 July 2021. No other changes to the Board were made during the year and the Board currently consists of nine members, three of whom are independent Non-Executive Directors (including two female independent Non-Executive Directors). A more detailed explanation is set out at page 65.

Corporate governance arrangements during FY 2021 in response to the continued Covid-19 pandemic

In its 2020 Annual Report the Company set out in detail how it had discharged its governance arrangements during the period from March 2020 onwards up to and including the date of publication of that report in the context of the adjustments which were required to address the challenges of the Covid-19 pandemic. In this section, the Company sets out how such arrangements were discharged during FY 2021 which was, of course, also significantly affected by the same or similar challenges.

Clearly, during the financial year there were two separate periods of enforced closure of the Group's businesses in England, Wales, Scotland and Northern Ireland together with various periods of mandatory closure in respect of its ALEX business in Germany.

The principal impact of these closure periods was during November 2020 and then from the start of January 2021 leading to a phased reopening of the Group's businesses in England, Scotland, Wales and Northern Ireland at various times, and with various levels of restrictions, in the period from April 2021 to August 2021 and, similarly, for the German businesses over a period from May 2021 onwards.

Before these closures and between the closure periods and as the phased reopening was permitted, the relevant authorities also mandated various sets of operating restrictions in a series of 'Tiers' or 'Levels' or similar phases which differed across all the jurisdictions concerned both in terms of extent and the times when they came into operation or were adjusted.

During the financial year, the United Kingdom's transition period for its exit from the European Union ended on 31 January 2021. Whilst that was during a period when the Group's businesses were subject to Covid-19 pandemic closure requirements and so the immediate impact on operations was mitigated, there was, nonetheless, a significant amount of preparatory work undertaken by the Group in the period leading up to that exit date to secure supplies and continuity of the availability of staff.

After the removal of the majority of the pandemic-related restrictions, the Group also faced difficulties in addressing supply chain shortages due to a national lack of available drivers and the closure of its trading sites due to staff being required to isolate following a notification from NHS Test and Trace. These two challenges remain as at the date of publication of this report.

All of these matters led to a very confused environment in which to conduct the Group's activities. Therefore, the governance regime which had existed throughout the second half of FY 2020 (as set out on pages 59 to 61 in the 2020 Annual Report) remained largely in place throughout FY 2021.

In summary, the Board continued to maintain its regular set of scheduled meetings together with some additional meetings required to give effect to the Open Offer which closed in March 2021. These meetings were conducted virtually up until the Board and Audit Committee meetings held in September 2021, which were the first physical meetings since early March 2020.

The Chief Executive Officer, Phil Urban, provided a weekly written report to the Board during the periods of closure setting out the key developments relating to the Group's businesses and trading relationships and its arrangements with other stakeholders such as suppliers, landlords, the Trustees of the Group's pension schemes, and the lobbying activities of UK Hospitality with the UK Government on behalf of the industry.

The Remuneration Committee and the Audit Committee carried on with their scheduled meetings and agreed work programmes although, as there were no formal matters for it to consider, there were no meetings of the Nomination Committee.

The details of the numbers of meetings of the Board and the Audit and Remuneration Committees in the period, are set out on page 68.

The Executive Committee which is the principal operational decision-making forum of the Group, continued with its monthly cycle of meetings with a full agenda of both pandemic-related and 'business as usual' issues. The output of the Executive Committee meetings is also reported to the Board. The Executive Committee addressed in particular all stakeholder arrangements including the relationships and dialogue with employees, shareholders, supplier arrangements and the Group's pension arrangements (including agreed temporary suspensions of contributions payable to the Trustees of the Group's pension schemes).

From December 2020 to May 2021 the Chairman, Chief Executive, Chief Financial Officer and the Company Secretary and General Counsel met virtually each week to assess developments, particularly in relation to the Company's financing arrangements, to ensure that any potentially announceable events were identified and dealt with appropriately under the Disclosure Guidance and Transparency Rules and the Listing Rules, with, as required, input from the Company's external legal advisers.

On a weekly basis, the Covid-19 Steering Committee which had been established in March 2020 and continued in operation, met to deal with emerging and developing issues which arose from the operational restrictions imposed upon the Group and to ensure appropriate communication with employees, to monitor industry lobbying efforts with Government, to manage relationships with suppliers and to ensure appropriate action was taken and resources made available to protect the business and its assets. The work of that Steering Committee and its decisions and actions in relation to the management of the pandemic's impact on the Group were included in the weekly report by the Chief Executive Officer to the Board. This Steering Committee continued to meet weekly until September 2021.

At the various times when it became clear that the Group's businesses were likely to be able to reopen, the separate Reopenings Review Group (which was referred to in detail in the 2020 Annual Report) was re-established to oversee the detailed arrangements for safe and effective reopening of the Group's trading sites in the UK. Similar arrangements were also implemented in Germany.

In addition to all of these activities, the Chief Executive Officer continued to issue a fortnightly briefing note to all employees via the Company's intranet which explained the current position, the Company's expectations looking forward and set out not only the issues faced by the business but how it was intending to deal with them. These updates were available to all employees, whether or not on furlough.

Overall, the governance arrangements set out in the 2020 Annual Report were continued throughout FY 2021 with adjustments and flexibility to reflect the often-changing operating and trading environment in which the Group operated throughout FY 2021.

Employee wellbeing arrangements and workplace implications:
The Company has an established wellbeing strategy that encompasses five pillars of wellbeing; social, environmental, physical, mental and financial. Within these pillars there are a range of resources and tools available for line managers and employees to access, including:

- our employee assistance programme which is run by the Licensed Trade Charity. They operate a free, 24/7 confidential helpline and a website available to all employees.
- an online wellbeing centre that provides access to workout videos, nutritional advice, financial wellbeing tools and mindfulness and meditation videos and articles.
- financial wellbeing tools and support via Nudge.
- mental health training available for all line managers to assist them in supporting their teams. In addition the business has trained a number of mental health first aiders.
- wellbeing days, which are now intended to be held virtually and this will enable all employees to participate in the various activities and workshops.

During periods of lockdown the business operated with a skeleton team of support centre employees. During the reopening phase the Retail Support Centre and other offices gradually reopened in line with Government guidance and additional safety measures were put in place to provide employees with further reassurance. These included a pre-booking facility for office attendance, enhanced cleaning and regular lateral flow testing.

Ahead of reopening in April employees were invited to participate in a survey in order to assess any concerns they may have had in relation to returning to work and this enabled reopening plans to developed.

Corporate governance code reporting

For FY 2021, the Company has reported under the 2018 Code.
Its requirements 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.

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 existence of this Committee demonstrates a significant commitment to the enhancement of governance in general and matters such as stakeholder engagement. More details of this Committee and its membership are set out on page 71 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 and FY 2021, though progress was necessarily delayed during lockdown, given social distancing requirements.

Mitchells & Butlers has an Employee Forum with elected representatives which normally meets with the Executive Directors and members of the Executive Committee twice a year. Dave Coplin also attends these meetings. Due to lockdown restrictions no meetings were held in FY 2021. The next meeting is scheduled for Spring 2022. 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. 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. Meetings of the Employee Forum will recommence in early 2022, having been postponed following closure of the business in March 2020.

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 requirement under the Companies Act 2006 is that the Strategic Report must inform members of the Company, and help them assess, how the Directors have performed their duty under Section 172 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 40 to 42.

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 desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly 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 and how the interests of different shareholders have been considered. 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 and how the Board has employed its oversight of the Company's purpose. This purpose is set out in more detail on page 1.

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 10 to 46.

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 2021 and, in particular, during FY 2021, the Board received specific focused training sessions on two occasions from its external legal advisers, Freshfields Bruckhaus Deringer LLP, on their duties and responsibilities generally, which was a refresher session building on a similar training event in the preceding year and a bespoke training programme related to the Company's issue of a Prospectus pursuant to the Open Offer made in February 2021. 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 across a wide spectrum of its operations and practices 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
Following three of the Board's Non-Executive Directors stepping down in July 2021, the Board is currently comprised of nine members. These are the Chairman, Chief Executive and Chief Financial Officer, three independent Non-Executive Directors and three Non-Executive Directors nominated by the Company's largest shareholders who are part of the Odyzean Group. Of these, two independent Non-Executive Directors, representing 22% of the Board are female, one of whom is also the Senior Independent Director. Also, the Chairman, Bob Ivell, has served on the Board since May 2011.

The Board acknowledges that this level of gender diversity and the Chairman's period of tenure on the Board do not meet the expectations of the Davies Report, the Hampton-Alexander Review, the best practice recommendations of the UK Corporate Governance Code or some shareholders and, whilst this overall composition of the Board remains a matter for continuous review, it should be noted that in its Open Offer Prospectus, the Company confirmed that the Odyzean Group had indicated that it would disregard specific corporate governance requirements around tenure and that it expected the Board to focus on retaining and acquiring skill sets amongst the independent Non-Executive Directors that are required to optimise the development of the business going forward.

The Company has not received any indication of a change in approach on these issues by the Odyzean Group.

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.

Dave Coplin has been identified by the Board as the Director responsible for oversight of the Company's Diversity and Inclusion arrangements. 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 and this situation continued into FY 2021. As the Group's business and activities have gradually returned to a degree of normality, this programme has now been resumed.

Gender Pay Gap data is already overseen by the Remuneration Committee and details are set out on page 84 of the Report on the Directors' remuneration.

4. Proportionate executive remuneration

This is dealt with on pages 84 and 94 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 25 September 2021 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 75 to 78 and page 70 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 2021. 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

The current Board consists of the two executive directors and the Chairman, the three Independent Non-Executive Directors and three representative directors of the Odyzean Group which holds approximately 57 per cent. of the issued share capital. The Board does not currently intend to change this arrangement, and believes that, despite not strictly complying with the 2018 Code, the current structure strengthens corporate governance as it is both representative of the Company's shareholder base and demonstrates the Odyzean Group's ongoing commitment and support to the overall strategy and management of the Company.

The assessment of the composition of the Board and its Committees and the Chairman's tenure should be considered in the context of the explanation already set out under the heading of 'Board composition and diversity' on page 65.

During the year, there were four separate areas of divergence 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."

Bob Ivell was appointed to the Board in May 2011 and, as such, his appointment extended beyond the normal nine-year tenure, which expired in May 2020. The Board had already reviewed this in advance in 2019 and concluded that it was appropriate that he should remain in place as Chairman. The extraordinary events of 2020 which continued into 2021 and the challenges which the Group has faced as a result of the Covid-19 pandemic 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.

The uncertainties about the effect of Covid-19 on the hospitality industry and Mitchells & Butlers in particular continued well into 2021, and therefore the Board's view, supported by the Odyzean Group 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 2021. This will remain the case while the Company continues to deal with the rebuilding of its business.

2. Composition of the Board (Provision 11)

Throughout 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 Nomination, 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 three shareholder representatives on the Board, representing members of the Odyzean Group. These 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 members of the Odyzean Group made extremely significant investments in the Company and currently hold approximately 57 per cent. of the Company's issued share capital. 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 members of the Odyzean Group have been very supportive of the Board's actions when the Company had to deal with the forced closure of the business during the Covid-19 pandemic, followed by the need for an Open Offer, which they subscribed for in full. 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. Ron Robson, a shareholder representative of Piedmont Inc., stepped down from the Board on 31 July 2021, though the Company is not aware of any further changes being proposed to the shareholder representative profile of the Board in the immediate future.

3. Constitution of Committees

Throughout FY 2021, the Company had (and continues to have) fully functioning Nomination, Audit and Remuneration Committees as required by the 2018 Code.

(i) Nomination Committee (Code Provision 17)

The Nomination Committee was not fully compliant with the Code in FY 2021, in that it did not contain a majority of independent Non-Executive Directors as required by Code Provision 17. This occurred for a short period only, which started in the period following Colin Rutherford and Imelda Walsh leaving the Board on 19 July 2021, and ceased following Ron Robson leaving the Board on 31 July 2021, which decreased the number of non-independent Directors on the Nomination Committee. At the year end of 25 September 2021, the Nomination Committee was fully compliant with 2018 Code Provision 17.

(ii) Audit Committee (Code Provision 24)

For part of the year, the Audit Committee was not fully compliant with the relevant Provisions of the 2018 Code. Provision 24 of the 2018 Code specifies that the Audit Committee should consist of independent Non-Executive Directors and, for part of the year, the Audit Committee included the presence of representatives of major shareholders who are members of the Odyzean Group. Ron Robson (who represented Piedmont Inc.) and Eddie Irwin (who represents Elpida Group Limited) stepped down from the Audit Committee on 31 July 2021 and 9 September 2021 respectively, and consequently at the year end of 25 September 2021, the Audit Committee was fully compliant with Provision 24 of the 2018 Code.

(iii) Remuneration Committee (Code Provision 32)

The Remuneration Committee is not fully compliant with the relevant Provisions of the 2018 Code. Provision 32 of the 2018 Code specifies that the Remuneration Committee should consist of independent Non-Executive Directors and the Remuneration Committee included the presence of representatives of major shareholders who are members of the Odyzean Group. In September 2021, Eddie Irwin stepped down from the Remuneration Committee, but it remains non-compliant as Josh Levy, a representative of Piedmont Inc., is a member of the Committee. As set out on page 55, under the terms of the Deed of Appointment between the Company and Piedmont Inc., Piedmont is entitled to have a Director attend, and receive all the papers relating to, meetings of the Remuneration Committee. The Board has, in the circumstances, agreed that Mr Levy should be a member of the Committee. The Board has carefully considered the implications of these arrangements and has concluded that they constitute a valid exception under the 'Comply or Explain' regime of the 2018 Code, in that the 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.

4. Board Effectiveness Review (Provision 21)

In light of the circumstances in which the Company was operating, and as reported on page 66, the Chairman, has kept the skills, contributions and experience of the Board members under close review throughout FY 2021.

An externally facilitated Board evaluation is recommended to be carried out every three years and last took place in FY 2018. In view of the ongoing issues caused by Covid-19, the Board took the decision not to proceed with an evaluation during FY 2021, either internal or externally facilitated. The Board will consider if it is appropriate to carry out such an evaluation, whether internal or using an external facilitator, in FY 2022.

The information required by Disclosure Guidance and Transparency Rule ('DTR') 7.1 is set out in the Audit Committee report on pages 75 to 78. The information required by DTR 7.2 is set out in this corporate governance statement, other than that required under DTR 7.2.6 which is set out in the Directors' report on pages 53 to 60.

Board composition

The Board started the year with 12 Directors. During the year Colin Rutherford, Imelda Walsh and Ron Robson resigned and the table on page 68 lists the composition of the Board during the year.

As indicated on page 65, at the present time no further 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 need to re-establish the business as, it is hoped, the effects of the Covid-19 pandemic lessen over time.

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 2021 there were 17 Board meetings, which were more Board meetings than would be typical. This was due to the need for additional Board meetings to consider the refinancing arrangements, including the Open Offer, which were implemented in the year and the implications of the imposition of restrictions on operations and the closures, lockdowns and subsequent reopening of the business which occurred during the period. More details of the governance arrangements during the Covid-19 disruption are set out on page 63. There were also five meetings of the Audit Committee and five meetings of the Remuneration Committee but, due to there being no formal matters for it to consider, no meeting of the Nomination Committee. The table on the following page 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 on the following page, full attendance was recorded for all Directors in respect of all Board and Committee meetings during FY 2021, 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 three or 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 2021, these meetings have been limited to only one physical meeting in FY 2021 although there has been regular dialogue between the Board members, facilitated by the Chairman, throughout the financial year.

There are nine Board meetings currently planned for FY 2022.

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.

The appointment and removal of the Company Secretary is a matter reserved for the Board.

Corporate governance statement continued

Attendance levels at Board and Committee meetings

Directors who served during the year	Board	Audit Committee	Remuneration Committee	Nomination Committee
Bob Ivell	17 (17)	n/a	5 (5)	n/a
Keith Browne	17 (17)	n/a	n/a	n/a
Dave Coplin	17 (17)	5 (5)	5 (5)	n/a
Eddie Irwin (*stepped down on 9 September 2021)	17 (17)	5 (5)*	5 (5)*	n/a
Tim Jones	17 (17)	n/a	n/a	n/a
Josh Levy	17 (17)	n/a	5 (5)	n/a
Jane Moriarty	17 (17)	5 (5)	5 (5)	n/a
Susan Murray	17 (17)	5 (5)	5 (5)	n/a
Ron Robson (resigned 31 July 2021)	15 (16)	4 (4)	n/a	n/a
Colin Rutherford (resigned 19 July 2021)	15 (15)	4 (4)	5 (5)	n/a
Phil Urban	17 (17)	n/a	n/a	n/a
Imelda Walsh (resigned 19 July 2021)	14 (15)	4 (4)	5 (5)	n/a

Mr Robson was unable to participate in the Board meeting held on 19 February 2021 as it was convened on short notice and he had another pre-existing and unavoidable work commitment. Ms Walsh was not able to participate in the meeting held on 22 April 2021 due to a pre-existing medical appointment. Both Directors submitted apologies in advance of the relevant meeting and passed their respective comments on the matters to be considered by the Board at the relevant meeting, to the Chairman and the Company Secretary and these were reported to, and included in the consideration of those matters by, the Board.

Directors

The following were Directors of the Company during the year ended 25 September 2021:

Directors who served during the year		Date appointed	Date of change of role
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	–
Tim Jones	Chief Financial Officer	18/10/10	–
Josh Levy[3]	Non-Executive Director	13/11/15	–
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	(stepped down from the Board 31 July 2021)
	Deputy Chairman	14/07/11	(stepped down from this role 31 July 2021)
Colin Rutherford	Independent Non-Executive Director	22/04/13	(stepped down from the Board 19 July 2021)
Phil Urban	Chief Executive	27/09/15	–
Imelda Walsh	Independent Non-Executive Director	22/04/13	(stepped down from the Board 19 July 2021)

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 Directors. Colin Rutherford and Imelda Walsh stepped down from the Board on 19 July 2021 and Ron Robson stepped down from the Board on 31 July 2021. At the year end, the Board consisted of seven male and two female Directors.

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 2022, 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 24 November 2021 are set out on pages 50 to 52, 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 is 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 2021, 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 71) 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 66.

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.

Ordinarily, 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. Due to the constraints experienced by the Board during FY 2021 and the need to focus attention on the re-establishment of the Group's business, no such appraisal was carried out in FY 2021. This will be reconsidered in FY 2022. However, all Directors have the ability to raise any relevant views which they have with the Senior Independent Director if they feel this is needed.

Non-Executive Directors

The Company has experienced Non-Executive Directors on its Board.

Josh Levy was appointed to the Board as a representative of one of the Company's largest shareholders, Piedmont Inc., a member of the Odyzean Group, and was 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, which is also a member of the Odyzean Group, and were therefore not regarded as independent in accordance with the 2018 Code.

There are currently three independent Non-Executive Directors on the Board: Dave Coplin, Jane Moriarty and Susan Murray.

Other than their fees, and reimbursement of taxable expenses which are disclosed on page 88, the Non-Executive Directors received no remuneration from the Company during the year.

With effect from 1 January 2022, 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.

Corporate governance statement continued

Board information and training

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

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

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 75 to 78 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 79 to 96. The Remuneration Committee report has been signed by the Chairman, Bob Ivell, following the resignation of Imelda Walsh, who was Chair of the Remuneration Committee. The Board is undertaking a search for a replacement and will appoint a suitable candidate once their search is concluded. Any appointment will be made with due consideration for the Davies Report, the Hampton-Alexander Review and the best practice recommendations of the UK Corporate Governance Code. Notwithstanding this, all Board and Committee appointments will always be made on merit.

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 following were members of the Nomination Committee during the year:

	Appointment date	Member at 25/09/21
Bob Ivell (Chair)	11/07/13	Yes
Dave Coplin	29/02/16	Yes
Eddie Irwin	11/07/13	Yes
Jane Moriarty	27/02/19	Yes
Susan Murray	08/03/19	Yes
Ron Robson (resigned 31 July 2021)	11/07/13	No
Colin Rutherford (resigned 19 July 2021)	11/07/13	No
Imelda Walsh (resigned 19 July 2021)	11/07/13	No

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 46% female and 54% 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 70% male and 30% female. Further information on the Executive Committee is given on page 71.

Although there were no formal meetings of the Committee in the year, through dialogue amongst the Committee members, the Committee considered the composition of the Board. 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. As referred to on page 65, Dave Coplin has been identified by the Board as the Director with responsibility for oversight of the Company's Diversity and Inclusion arrangements.

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 continue to review what steps and recruitment processes are appropriate 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% up until 19 July 2021, when Imelda Walsh stepped down from the Board. Colin Rutherford also stepped down from the Board on the same date and Ron Robson stepped down from the Board on 31 July 2021, as a result of which the Board reduced to nine members of which two were female, leaving the proportion of women on the Board at the year-end as 22%. 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. The assessment of the composition of the Board and its Committees and the Chairman's tenure should be considered in the context of the explanation already set out under the heading of 'Board composition and diversity' on page 65.

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/

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.

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), Eddie Irwin, Susan Murray, Jane Moriarty and Dave Coplin. The Chief Executive, Phil Urban, is invited to attend regularly.

A multi-disciplinary operational and functional steering committee has been identified and tasked with carrying out first level oversight of the work plan and roadmap approved by the Committee in FY 2021, 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. On the business going into further lockdowns during FY 2021 only moderate progress has been made on these initiatives. 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, 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), Tim Jones, Phil Urban, Keith Browne and Josh Levy.

Throughout FY 2021 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, which went to 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 January 2021 to March 2021, with those contributions being deferred until after the completion of the Open Offer.

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, David Gallacher, Dennis Deare and Anna-Marie Mason (the Divisional Directors).

The Executive Committee ordinarily meets at least every four weeks and has day-to-day responsibility for the running of the Group's business.

It develops the Group's strategy and annual revenue and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals. This Committee monitors the financial and operational performance of the Group and allocates resources within the budgets agreed by the Board. It considers employment issues, ensures the Group has an appropriate pool of talent and develops senior management workforce planning and succession plans.

A note of the actions agreed by, and the principal decisions of, the Executive Committee is supplied to the Board for information in order that Board members can keep abreast of operational developments.

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.

Corporate governance statement continued

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 2021 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, which includes Climate Change reporting, which is dealt with in the next section.

Climate change reporting

1. Reporting

Reporting prior to 2021

For periods beginning on or after 1 April 2019, The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 required new or enhanced directors' report disclosures on greenhouse gas emissions and energy consumption. Quantitative and narrative disclosures on energy consumption and energy efficiency measures were added to the pre-existing greenhouse gas emissions disclosures. Additionally, the regulations brought in a new requirement to report on the principal measures taken to increase energy efficiency if any such action has been taken in the organisation's financial year.

Last year's Strategic Report set out these principal measures but for FY 2021 it has been expanded to set out not only the principal measures and their progress since then, but also our future aims in this area.

New mandatory reporting and disclosure requirements

The Taskforce on Climate-related Financial Disclosures ('TCFD') was established by the Financial Stability Board in 2015 and published its final report in June 2017. The report set out eleven recommended disclosures under four pillars to promote better disclosure:

TCFD : four recommendations and eleven recommended disclosures

Recommendations			
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities (CRO).	Disclose the actual and potential impacts of CRO on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant CRO where such information is material.
Recommended Disclosures			
(a) Describe the board's oversight of CRO.	(a) Describe the CRO the organisation has identified over the short, medium and long term.	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	(a) Disclose the metrics used by the organisation to assess CRO in line with its strategy and risk management process.
(b) Describe management's role in assessing and managing CRO.	(b) Describe the impact of CRO on the organisation's businesses, strategy, and financial planning.	(b) Describe the organisation's processes for managing climate-related risks.	(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	(c) Describe the targets used by the organisation to manage CRO and performance against targets.

The new Listing Rule
The new climate-related disclosure Listing Rule 9.8.6R(8) is a continuing obligation for premium listed companies in annual reports for periods commencing on or after 1 January 2021 and thereafter (so the first Annual Report where reporting for the Company will be mandatory will be that for FY 2022). The rule requires companies to disclose:

- whether they have made disclosures consistent with the four recommendations and eleven recommended disclosures set out in section C of the TCFD Final Report in their annual financial report;
- where these disclosures can be found in the annual report; and
- a 'comply or explain' obligation to explain:
  - if they have not included disclosures consistent with all of the TCFD's recommendations and/or recommended disclosures, which disclosures they have not included and the reasons for not including them; and/or
  - why they have included some or all of the disclosures in a document other than their annual report.

Where not all required TCFD disclosures have been provided, in addition to explaining why, the annual report now also needs to explain:

- the timeframe for compliance; and
- the steps the company is taking or plans to take to achieve compliance.

Institutional Investor requirements
Institutional Investors will expect all listed companies to be reporting against all four TCFD pillars and want those disclosures to be more meaningful and will be instructing their clients accordingly in relation to voting. They will also expect companies to include a statement in their annual report that the directors have considered material climate-related matters when preparing and signing-off the company's accounts.

2. Actions being taken by the Company
Executive Ownership
The Board has tasked Phil Urban with spearheading the Company's approach to tackling Climate Change reporting across the organisation and since he also chairs the Executive Committee, he will be ensuring focus at Executive Committee level. The Remuneration Committee has been tasked with considering appropriate targets over FY 2022 to ensure that executive management are driving the right outcomes at the pace that the Board wants to see.

Strategy
The Board is mindful of the business impacts relevant to the sector, and due consideration of such will be included when considering changes made across the business in relation to Climate Change obligations. Going forward, this important issue will continue to form part of the considerations taken into account by the Board when it is evaluating strategic decision and investment priorities. Capital expenditure proposals submitted to the Board will include appropriate details on such aspects.

Governance
Climate change issues are discussed at Board level and the Board has specifically requested the Corporate Responsibility Committee to focus on ESG/sustainability matters. The Company's required climate response/ transformation will be a feature of future agendas, with priority being given to ensuring enough time is dedicated to the discussion. The Corporate Responsibility Committee has approved and recommended to the Board the Group's sustainability roadmap through which it has identified and agreed how to manage climate-related issues. These initiatives will continue to be addressed in FY 2022 in readiness for when TCFD compliance becomes compulsory for the Company.

Risk and Scenario analysis
During FY 2022, the Company will develop further a rigorous climate-change scenario impact analysis and this will be a matter which will be addressed in FY 2022. The Audit Committee is tasked with ensuring it is satisfied that the scenarios are sufficiently challenging, diverse and relevant, and also ensuring through this process and the Risk Committee that its risk monitoring activity appropriately addresses climate change risks for the Company.

Information, reporting and assurance
The following aspects of the Company's readiness for TCFD reporting will be addressed during FY 2022:

- whether climate-related management information is robust and fit for purpose;
- the extent to which any external data, or external expertise that the Company relied upon is reliable and credible;
- whether the finance function has taken ownership of information and accounting around climate change and, if not, whether there are there sufficient checks and balances to give confidence in the information;
- consideration of the findings of reporting reviews such as the FRC's climate change thematic review will be considered. Changes to annual report processes and reporting will be examined and implemented as necessary; and
- the level of internal or external oversight or assurance to which the Company's metrics will be subjected.

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.

Corporate governance statement *continued*

- 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 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 39.

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 39.

More details of the work of the Risk Committee are included in the Audit Committee Report on pages 75 to 78.

- 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. To the extent that weaknesses in internal controls were identified, the Audit Committee reviewed the audit findings, together with the remedial action plans that were put in place, and sought confirmation that all actions were closed out in a timely manner. Through this process, material audit findings were presented to the Audit Committee, the necessary follow-up reviews were completed and the results were reported to the Audit Committee, to ensure appropriate mitigation plans had been actioned.

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.

Audit Committee report

Jane Moriarty
Chair of the Audit Committee

"On behalf of the Board, I present the report of the Audit Committee for the financial year ended 25 September 2021."

Introduction

I was appointed as Chair of the Audit Committee on 20 July 2021 after Colin Rutherford stepped down from the Board and also as chair of the Committee on 19 July 2021. I take this opportunity to thank Colin for the excellent work he has done in chairing this Committee and how, as a result, I was able to seamlessly pick up this role.

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 continued but changing impact of Covid-19 in relation to the overall governance and key controls operated across the business in a remote working environment presented significant challenges. Many of these were dealt with in FY 2020 but some new aspects emerged during the period. Therefore, in order to provide assurance to the Audit Committee that key financial controls continued to operate as expected, an independent review was again undertaken by the Group Risk Director. Findings confirmed that a good level of assurance continued, and no material 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 the Financial Reporting Council (FRC) and its evolving reporting requirements are adhered to.

Audit Committee report continued

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 2021 Annual Report, the Audit Committee comprised three independent Non-Executive Directors: Jane Moriarty (Chair), Dave Coplin and Susan Murray. In accordance with 2018 Code Provision 24 the Board considers that Jane Moriarty 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 50 to 52.

The Audit Committee continued to meet at least quarterly during FY 2021. 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 88.

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 when they were reviewed in September 2021. Accordingly, in FY 2021 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 next annual review.

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, external 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 2021, the level of achievement of that plan and the scope of the annual internal audit plan for FY 2022;

- 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 the Covid-19 pandemic, 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 46 and 40 respectively);
- compliance with the Company's Code of Ethics;
- corporate governance developments;
- the status of material litigation involving the Group; and
- reports on allegations made via the Group's whistleblowing procedures and the effectiveness of these procedures, including a summary of reports received during FY 2021.

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 98 to 167.

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

- **Job Retention Scheme** – given the material value of the Job Retention Scheme claims made during FY 2021, the business has taken a number of steps to ensure the claims made are accurate. These steps include the appointment of an external firm to perform a sample review of claims made, together with working closely with HMRC throughout the year;
- **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 slightly reduced pre-Covid-19 performance; 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. Short leasehold buildings, right-of-use assets, unlicensed land and buildings, and tenant's 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 and assumed recovery rates;
- **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 (see page 40 Corporate Viability Disclosure which includes details of going concern scenarios, sensitivity and reverse stress testing). 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. Separately disclosed items are explained and analysed in note 2.2 of the Financial Statements on page 115. 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.

During each financial year the Audit Committee completes its annual review of the effectiveness of the Group's system of internal controls and internal audit function, including financial, operational, compliance and risk management systems.

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 internal audit plan on a quarterly basis. The FY 2021 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 2022 internal audit plan. The principal objectives of the internal audit plan for FY 2021 were, and remain for FY 2022:

- 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.

Findings from all audit reports issued by the Group Assurance function are reviewed by the Audit Committee. Internal audit recommendations are closely monitored from implementation through to closure via a web-based recommendation tracking system, which efficiently assists the overall monitoring of internal audit recommendations to ensure these are successfully implemented in a timely manner. A summary of the status of the implementation of internal audit recommendations is made monthly to the Executive Committee and quarterly to the Audit Committee.

Risk management framework

As disclosed in the 'Risk and uncertainties' section on pages 32 to 39 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 2021, 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 2021 (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 2021 when Scott Bayne became the lead Audit Partner. 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 FY 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. A full audit tender process has now been completed with KPMG LLP emerging as the successful firm. Following Board approval, KPMG LLP will be appointed as the Company's external auditor and will therefore be responsible for undertaking the FY 2022 audit.

The Audit Committee considers that the relationship with the external auditor is working well and is satisfied with its effectiveness and did not consider it necessary to require Deloitte LLP not to re-tender for the external audit work.

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 2021 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.

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.

During FY 2021, after careful consideration of their independence and professional guidance, the Audit Committee agreed that it was appropriate for Deloitte to be appointed on a separate engagement to conduct the working capital review in relation to the Open Offer. Approval was required (and provided) by the Audit Committee, as fees were over £50,000.

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 120.

As KPMG LLP are to be appointed as the Company's external auditor, as part of their appointment work is underway to review the non-audit services policy to ensure it is aligned to KPMG's approach to such issues.

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 Chair 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.

The FRC's Audit Quality Review (AQR) team monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits of individual audit firms. During the year, the FY 2020 audit of the Group by Deloitte was reviewed by the AQR and their report was issued in November 2021. The FRC has provided a copy of their report to management for review which sets out the assessment of the quality of the audit work reviewed together with key findings. The AQR team reviewed and assessed the audit carried out by Deloitte and has not assessed the adequacy of the Group's financial controls or financial reporting. In summary, the results of the AQR found that only limited improvements were required. Therefore, there were no material findings arising from the review, and in addition, there was a finding of good practice.

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.

Jane Moriarty
Chair of the Audit Committee
24 November 2021

Report on the Directors' remuneration

Bob Ivell
Chairman

"I am pleased to present the Directors' remuneration report in respect of the financial period which ended on 25 September 2021."

Background and business context

The past year has once again been dominated by the impact of Covid-19 on the business, with the long periods of lockdown meaning that our business was closed for a large part of the year. When the business has been able to trade, performance has been robust overall, with sales in our premium and restaurant businesses well ahead of the comparable period in FY 2019. This sales growth was offset by weaker trading in our pubs and city centre based businesses, with much of the impact a result of many people continuing to work from home and the loss of tourism, especially in London. Overall in FY 2021 like for like sales fell by 9.6% against FY 2019, being the last full year pre-Covid-19. In the period from April 2021, when the business reopened, sales steadily improved through to July when most restrictions were removed, and sales strengthened further to the end of the financial period. The additional support received from the temporary reduction in VAT and business rates relief has also been an important factor in supporting the recovery of the business.

When the business has been closed almost all employees were furloughed and accessed the Coronavirus Job Retention Scheme ('CJRS'). The utilisation of this scheme was an invaluable support for employees and ensured that we were able to protect jobs. Overall in FY 2021 a total of £210m of financial support was received by employees in the UK. Where employees earned above the upper limit of the CJRS their pay was topped up by the Company and therefore no employees received less than 80% of their normal pay.

The success of the business prior to the pandemic was guided by three clear strategic priorities, to build a balanced business, instil a commercial culture and drive an innovation agenda. Progress against these priorities has been driven by the Ignite programme, and just prior to the pandemic a new wave of initiatives was planned, and then put on hold when the business closed. The Ignite programme has now recommenced and will be an important factor in the further recovery of the business with a wide range of projects now underway, not least the recommencement of our capital plan which will see the number of projects returning to pre-pandemic levels in the coming year.

Report on the Directors' remuneration continued

It became clear early in the FY 2021 financial period that there would be a need to refinance the business to ensure that the business could survive an extended period of lockdown and emerge from the pandemic in a position of strength and able to capitalise on the economic recovery. In March, gross proceeds of £351m were raised through an Open Offer, providing the Group with sufficient liquidity to support the business through the ongoing disruption caused by the pandemic and which enabled the business to deliver on its strategy to increase market share whilst deleveraging. Just prior to the Open Offer three of the Group's largest shareholders, Piedmont, Elpida and Smoothfield, came together as a single group, and consolidated their holdings under a newly incorporated holding company, Odyzean Limited. The formation of the Odyzean Group was important in supporting the Open Offer and providing clarity as to the relationship of our largest shareholders with the Company. As a result of the establishment of Odyzean Limited, 56.8 per cent. of the Company's shares are now owned and controlled by the Odyzean Group.

Throughout the pandemic the safety and wellbeing of our teams has been a priority. During the lockdown in the early part of 2021 we once again surveyed our employees to understand their concerns and enable us to plan for reopening in the safest way possible, building on the learnings from the summer of 2020. Encouragingly almost all employees who responded were happy with the safety measures that were put in place for reopening and were looking forward to returning to work. Where employees had concerns, they were able to discuss these with their line manager and plans were put in place to address those concerns. Employees' wellbeing is supported by an employee assistance programme operated in conjunction with the Licensed Trade Charity which provides all employees with help and advice in relation to health, mental wellbeing, education and housing issues. Employees are further supported by our online wellbeing hub that provides help across our five wellbeing pillars: social, environmental, physical, mental and financial. Mental wellbeing in particular has been a concern for many people over the last 18 months, and to support this, line managers have been able to access mental health wellbeing training to help support themselves and their teams.

Remuneration in FY 2021

The current remuneration policy was approved at the 2021 AGM with 82.5% of shareholders voting in favour of the policy and 88.5% of shareholders voting in favour of the new Restricted Share Plan ('RSP'). Overall, the Committee was pleased with the level of support, recognising that some shareholders have strong views on specific matters, including the implementation of RSPs and pensions alignment, that do not fully align to those of the Committee. Leading shareholders were consulted on the RSP and their views were taken into account in the final design of the plan.

Annual Bonus

The Committee determined at the start of FY 2021 that no bonus would be payable to Executive Directors in respect of FY 2021 as it was clear the restrictions under which the business was operating and the subsequent further lockdown would extend well into the financial year.

RSP FY 2021 Award

Following the approval of the remuneration policy and the new RSP at the 2021 AGM, an award was made in May 2021 in respect of the FY 2021/23 period. The RSP is intended to support the alignment of Executive Directors and other senior management with shareholders over the long term through a material shareholding. It enables management to focus on the successful recovery of the business and to make appropriate and timely decisions to deliver long-term performance and, therefore, value. As is typically the case with RSPs, there are no performance conditions but instead a set of qualitative underpins are in place which the Committee believes will ensure that any vesting under the RSP is appropriate in the context of the wider business performance over the three-year period.

The award for the Chief Executive was set at 100% of base pay, this being a 50% reduction when compared to the previous LTIP award. The award for the CFO was also set at 100% of base pay, compared to a 140% of base pay award under the previous LTIP. The RSP award size for the CFO is intended to recognise the pivotal role that he played in delivering, with very strong shareholder support overall, the equity raise that completed in March 2021. The equity raise was particularly complex as it encompassed not only the Open Offer but also the refinancing of banking facilities and agreements for further amendments and waivers in relation to the secured debt financing.

FY 2019 PRSP vesting

During FY 2019 share awards were made to Phil Urban and Tim Jones under the terms of the PRSP to the value of 200% and 140% of their respective salaries.

The 2019/21 PRSP performance condition had two independent elements, Operating Cash Flow before separately disclosed items (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR performance against a group of sector peers (25% weighting).

The Covid-19 pandemic has severely impacted on performance with Operating Cash Flow of £897m being below the level required for threshold vesting (£1,497m). As a result, this element of the plan lapsed. TSR performance was 19.7% and above the median of the group (-2.7%) but below the level required for maximum vesting (24.9%). On this basis 86.1% of this element vests and overall vesting of the FY 2019/21 PRSP awards is therefore 21.5%. Vested shares remain subject to the requirements of a share price underpin. This means that vested shares can only be exercised in the event that the share price equals or exceeds £2.72 on any one day in the six months ending on 25 May 2022. If the share price underpin is not met within the six-month period, then the award will lapse.

The Committee has carefully considered if it is appropriate that the award should vest in line with the formulaic outcome. Over the performance period, when trading has been possible, the business has performed well across a range of performance indicators. In particular, the online reputation score, which is a key element of our overall guest health measure, has increased to 4.3 and NPS scores prior to the pandemic remained strong.

Now more than ever the Committee recognises the importance of Environmental, Social and Governance (ESG) matters when determining remuneration outcomes, and despite the closure periods, good progress has been made. Food safety scores have been maintained at the previously high levels, with the number of businesses achieving a 4 or 5 rating in the independently operated National Food Hygiene Rating System ('NFHRS') consistently being above 98% over the period. Employee engagement scores have remained at very high levels prior to and throughout the Covid-19 pandemic and these surveys have been supplemented by additional wellbeing surveys that have helped shape our polices and processes for reopening and ensured the safety of our teams. Enhancing the sustainability of the organisation remains a key focus and despite the disruption caused by Covid-19, which temporarily paused progress in this area, work is ongoing to achieve our targets. During the performance period we became founding members of the Zero Carbon Forum, bringing the hospitality sector together to develop a roadmap to achieve net zero emissions, which signals our positive intention in this area.

The Executive Directors and senior management have led the business very effectively throughout the pandemic and demonstrated exceptional personal commitment to secure the future of the business for all stakeholders. Taking all of these factors into account the Committee concluded that the relatively modest levels of overall vesting are appropriate in the circumstances.

As a result, Phil Urban and Tim Jones will receive 89,483 and 52,382 shares respectively, subject to the conditions of the share price underpin. The value of these awards based on the average Mitchells & Butlers share price over the three months to the end of the financial year is £248,226 in respect of Phil Urban and £145,308 in respect of Tim Jones.

There is one other active PRSP, covering the FY 2020/22 performance period. As a result of the Covid-19 pandemic the Committee does not anticipate any vesting from the Operating Cash Flow element of that plan.

Remuneration for FY 2022

Base Pay and Pension contributions

With effect from 1 January 2022 Phil Urban's salary will increase to £551,500 (3%) and Tim Jones to £461,500 (3%). Their salaries were last increased in January 2020. These increases are below those seen for frontline colleagues but in line with those applied to support centre employees. In line with our established policy these increases in base pay will be entirely offset by an equal reduction in the cash equivalent pension contribution. Therefore, the pension allowance paid to Executive Directors will reduce to 11% and overall fixed pay remains unchanged. The current employee average pension contribution is circa 4% and we anticipate that alignment will be achieved by FY 2024.

Annual Bonus

The Committee has determined that the annual bonus scheme for FY 2022 will revert to the structure previously in place for FY 2020, with an overall earnings opportunity of 100% of base pay for Executive Directors:

- Adjusted Operating Profit (70%).
- Half of the bonus opportunity will be payable for achieving a demanding Adjusted Operating Profit[a] (hereafter referred to as Operating Profit) target.
- Bonus will begin to accrue from a threshold level of performance, which will be set at 95% of target. This threshold level of performance is the same as that in place for the FY 2020 scheme.
- Full payment under this element would require a very strong performance with sales performance well above FY 2019 levels.

The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:

- 15% for Guest Health (NPS, combined social media scores and guest complaints).
- 10% for employee engagement.
- 5% for Food Safety.

The non-financial elements are only payable if a threshold level of performance is achieved. For FY 2022 this will be set at 97.5% of Operating Profit. The Committee has also agreed that consideration should be given in FY 2023 to the inclusion of an additional ESG measure or measures.

Executive Directors are also aware that the Committee may take into account other factors when assessing if any bonus may be paid as part of our established quality of earnings assessment. These factors may include the impact and implications of further restrictions and lockdowns, the extent of any Government support and the overall financial stability of the Group. The Committee will weigh these factors against the overall formulaic outcome of the scheme to ensure that any bonus outcome is appropriate in the circumstances and reflects the performance of the business overall in the period.

RSP award FY 2022/24

An RSP award is due to be made in respect of the FY 2022/24 period. The Committee has agreed that the award for Executive Directors will remain at 100% of base pay. This reflects the value and contribution provided by the Executive Directors and the Committee's desire to ensure alignment with shareholders.

The Committee has reviewed the performance underpin which it will take into account (amongst other factors) when determining its discretion to adjust the number of shares vesting. It concluded that the current underpin remains appropriate and continues to require the Committee to consider the following:

- If any adjustments have been made to annual bonus outcomes for each of the three years covered by the vesting period for awards under the RSP;
- Whether there has been material damage to the reputation of the Company (in such circumstances, responsibility and hence any adjustments to the level of vesting may be allocated collectively or individually to participants); and
- That the business has a stable and appropriate capital structure in place following the cessation of restrictions on trade due to the Covid-19 pandemic that enables the recovery of the business and execution of our strategic priorities.

Non-Executive Directors' Fee Review

The Chairman and Non-Executive Director fees were last reviewed in January 2019. No changes are proposed for 2022.

As reported on page 70 of this annual report the Board is continuing to seek to appoint an appropriate Chair of the Remuneration Committee following Imelda Walsh stepping down from that role with the Company's best wishes in July 2021. As that process has not, at the date of finalisation of this report been concluded, I have signed the report on behalf of the Committee.

Bob Ivell
Chairman
24 November 2021

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 168 to 170 of this report.

Report on the Directors' remuneration continued

Executive Remuneration Summary

This section briefly highlights performance and remuneration outcomes for FY 2021, and how they compare to the current remuneration policy. The Committee is satisfied that the remuneration policy has operated as intended during the financial period. More detail can be found in the Annual Report on remuneration on pages 87 to 96. Full details of the remuneration policy can be found on the mbplc.com website.

FY 2021 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	534	14	–	76	–	3	627
Tim Jones	447	14	–	63	–	2	526
Total	**981**	**28**	**–**	**139**	**–**	**5**	**1,153**

The single figure table sets out payments made to Executive Directors in respect of FY 2021, including payments made in lieu of pension contributions and taxable benefits such as a company car, car allowance and healthcare cover.

FY 2021 annual bonus

No bonus schemes operated in FY 2021 and therefore no bonus is payable.

FY 2021 PRSP vesting

2019/21 PRSP – performance conditions	Threshold (25%) to maximum (100%) range*	Actual	% Vesting
Operating Cash Flow (75% of the award)	£1,497m to £1,527m	£897m	Nil
Total Shareholder Return relative to peer group** (25% 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. subject to a share price underpin.	19.7%	86.1

* 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 and Wetherspoon (JD) (the 'Peer Group').

Approach for FY 2022

Components of remuneration

The remuneration package for the Executive Directors comprises both fixed and variable elements consistent with our remuneration principles.

Fixed:

Salary + Benefits and pension = Fixed total

Variable:

Annual bonus + RSP and shares = Variable total

Fixed components

Salary

On 1 January 2022 Phil Urban's salary will increase by 3% to £551,500 and Tim Jones' salary will also increase by 3% to £461,500.

Phil Urban Chief Executive	**£551,500**
Tim Jones Chief Financial Officer	**£461,500**

Benefits and pension

The cash equivalent pension contribution for both Executive Directors will be reduced by an amount equal to the increase in base salary. As a result the cash equivalent pension contribution will be 11% of base salary.

Variable components

Annual bonus

No change to potential quantum – 100% of salary.

Measures will be:	Operating Profit	Business scorecard measures: Guest Health	Business scorecard measures: Engagement	Business scorecard measures: Safety
	70%	15%	10%	5%

Half of any bonus payable will be deferred in the form of shares and released in equal parts after 12 and 24 months.

RSP

Award level	**100% salary**

No performance conditions but vesting subject to performance underpins, assessed by the Remuneration Committee prior to vesting.

A two-year holding period applies for all long-term incentive awards.

Share ownership guidelines

Directors are required to retain all vested shares (net of tax) until the share ownership guideline is met. This applies to vested deferred bonus shares as well as shares vesting from any long-term incentive plans. Post-cessation, the shareholding requirement is equal to the shareholding guideline for two years post-departure with shares held in a nominee account. Transitional arrangements are in place for existing Executive Directors.

Report on the Directors' remuneration continued

Additional remuneration information

Application of remuneration policy
A key principle of the Group's remuneration policy is that variable short-term remuneration should be linked to the financial performance of the Group and that long-term reward should provide alignment of Executives to shareholders. The charts opposite 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 chart also shows FY 2020 and FY 2021 actual outcomes.

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 2022. Benefits are based on actual FY 2021 figures and include company car allowance, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable from 1 January 2022.

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
- 100% of the award 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
- 100% of the award 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 RSP outcome.

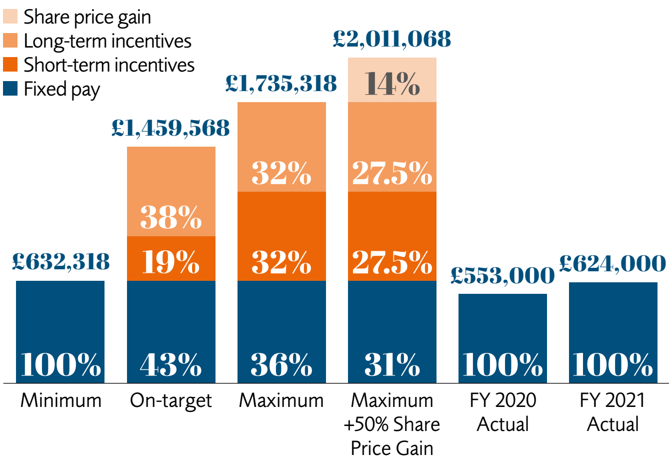
Pay ratios and gender pay
Table 1 on the right sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles.

More detail in relation to the pay ratio calculation can be found on page 94.

Table 2 on the right provides a summary of gender pay data for the Group.

Gender Pay Gap calculations were severely distorted by the impact of the Coronavirus Job Retention Scheme. On the snapshot date on which the pay gap is calculated there were 42,373 employees. However, of these only 194 employees could be included in the calculation. This is because the regulations require only those on full pay to be included. The much bigger Gender Pay Gap in 2020 is a reflection of the composition of those working on the snapshot date, which included all of the Executive Committee and those on leave at full pay and is not representative of the actual pay gap of all workers. A similar result will be seen in the 2021 figures.

Chief Executive



Chief Financial Officer

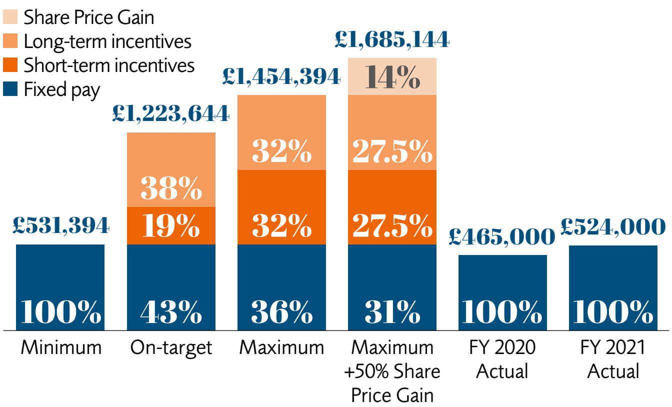


Table 1

	Chief Executive pay ratio		
Financial year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	**41:1**	**38:1**	**36:1**
2020	37:1	35:1	35:1
2019	120:1	112:1	106:1

Table 2

Financial year	**2020 %**	2019 %	2018 %	2017 %
Mean Pay Gap	**29.3**	6.1	7.4	8.1
Median Pay Gap	**17.3**	3.2	4.7	5.2
Mean Bonus Gap	**24.6**	33.5	38.5	27.6
Median Bonus Gap	**5.2**	15.4	29.2	20.6

Mitchells & Butlers' remuneration principles

When determining Executive Director remuneration policy, the Remuneration Committee addresses each of the factors under Provision 40 of the 2018 UK Corporate Governance Code and these are also reflected in our 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 proportion of an Executive Directors 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 Executive Directors, 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. The recruitment market has become very challenging for the sector as a result of changes to immigration policy following Brexit. In addition, the Covid-19 pandemic has seen many EU workers return home and some UK workers leave the industry during the long periods of furlough. Therefore, competitive pay remains a priority and, in particular, for skilled kitchen roles where there remains a shortage of high-quality talent and this has resulted in increased rates of pay for this group in particular. 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 is 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.

Alignment of Executive pay to strategy

The table below sets out how the three strategic priorities of the business align to executive remuneration for Executive Directors:

	Strategic priority	Link to Executive remuneration
Building a more balanced business	Strong operating performance supports the delivery and sustainability of the capital plan and estate optimisation.	Operating Profit delivery is the main component of the annual bonus plan. The RSP enables senior management to focus on long-term sustainable performance without the risk of being in conflict with the achievement of performance targets that have been set over a predetermined period.
	A more balanced business delivers brands and food and drink offers in an environment that guests want to enjoy.	The Guest Health element of the annual bonus plan provides a strong indicator of the success of each business. There is a clear correlation between strong Guest Health performance and sales performance.
	High-quality engaged teams are fundamental to the success of any business.	The engagement element of the annual bonus plan measures how our teams feel about working for Mitchells & Butlers, and, in turn, the service they provide to guests.
Instilling a more commercial culture	A commercial culture improves controls, efficiency, purchasing and pricing, driving both improved cash flow and operating performance.	Operating Profit delivery is the main component of the annual bonus plan.
	Commercial decisions must be guest focused and benefit from the input of customer feedback.	The Guest Health quickly demonstrates where decisions are right or wrong and Executives are incentivised to react.
	Developing and evolving a commercial culture requires high levels of employee engagement and business awareness throughout the business.	The employee engagement element of the annual bonus plan supports and underpins the development of culture.
Driving an innovation agenda	Innovation at small and large scale is an engine for improved sales and, therefore, cash and profit generation.	The RSP enables a focus on innovation without the risk of being in conflict with the achievement of performance targets that have been set over a predetermined period. Operating Profit delivery is the main component of the annual bonus plan.
	Guests' expectations continue to increase, demanding higher standards of service and digital capability.	The Guest Health element of the annual plan provides valuable actionable feedback and incentivises action.
	Innovation involves change and delivery of change requires strong employee engagement.	The employee engagement element of the annual bonus plan incentivises action to maintain and improve employee engagement.

Report on the Directors' remuneration continued

Remuneration below Executive Director level

The table below demonstrates how the key elements of Executive pay align with the wider workforce:

<table>
<tr><th>Job Group
(Number of employees)</th><th>Base pay</th><th>Bonus</th><th>Long-term incentives</th><th>All-employee share plans</th></tr>
<tr><td>Executive Directors (2)</td><td rowspan="5">Pay broadly around mid-market levels.
Overall, increases (in percentage terms) consistent across all salaried employee groups.</td><td rowspan="5">Bonus schemes for all schemes align to the business scorecard.
The majority of bonus opportunity is linked to financial performance.</td><td rowspan="3">Measures and targets for long-term incentive plans consistent for all participants.</td><td rowspan="6">All employees can participate in any of the all-employee share schemes, subject to qualifying service, building a stake in the business.</td></tr>
<tr><td>Executive Committee (8)</td></tr>
<tr><td>Senior management (c.40)</td></tr>
<tr><td>Retail Support Centre (c.950)</td><td rowspan="2"></td></tr>
<tr><td>Retail managers (c.4,700)</td></tr>
<tr><td>Retail team members (c.35,600)</td><td>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 tips and service charge, and it is Mitchells & Butlers' policy to pass 100% of these earnings on to employees.</td><td colspan="2">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.</td></tr>
</table>

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.

CEO roadshows

The CEO and CFO hold regular roadshows that allow both 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 2021, given Covid-19 and how the Coronavirus Job Retention Scheme has supported employees. In particular, the Committee has been interested in 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 2021, these updates have focused on the ongoing response to the pandemic and, in particular, workforce planning, employee engagement and wellbeing and the reinvigoration of our apprenticeships 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 2020 and this forum will recommence in early 2022.

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 25 September 2021 and how we intend to implement our remuneration policy for FY 2022. This report, along with the Chair's annual statement, will be subject to a single advisory vote at the 2022 AGM.

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
Bob Ivell	11 July 2013
Dave Coplin*	29 February 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 five* times during the year and key agenda items included the following:

October 2020	• FY 2020 Annual Bonus
	• Remuneration Policy
	• Long Term Incentive Plan
	• Employee Update
November 2020 (x 2 Meetings)	• FY 2020 Annual Bonus
	• Restricted Share Plan Proposal and Consultation
	• Employee Update/Covid-19 Response
	• Confirmation of Incentive Plan Outcomes
February 2021	• Shareholder Consultation Update
	• Restricted Share Plan Rules Approval
May 2021	• Confirmation of Restricted Share Plan Awards

* In addition to the above meetings, FY 2022 incentive plan structures were dealt with at the September 2021 Board meeting.

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 £11,400[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 and that the PwC engagement partner and the team that provide remuneration advice to the Committee do not have connections that may impair their independence.

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 and did not vote upon their own arrangements.

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 24 March 2021), the resolutions on the Remuneration Policy and RSP were put forward for approval by shareholders and 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]
Approval of Remuneration Policy	516,340,056	425,892,672	82.48	90,447,384	17.52	61,932
Approval of Restricted Share Plan 2021	515,026,678	455,803,154	88.50	59,233,524	11.50	1,378,979
Approval of Annual Report on Remuneration	516,119,512	513,229,539	99.44	2,889,973	0.56	286,976

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.

Report on the Directors' remuneration *continued*

Pay outcomes

The tables and related disclosures set out on pages 88 to 91 on Directors' remuneration, deferred annual bonus share awards ('STDIP'), PRSP and RSP 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.

Executive Directors

	Basic salaries £000		Taxable benefits[a] £000		Short-term incentives £000		Pension related benefits[b] £000		Long-term incentives[c] £000		Other[d] £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2021	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020
Phil Urban	**534**	468	**14**	15	**–**	–	**76**	70	**–**	–	**3**	–	**627**	553	**627**	553	**–**	–
Tim Jones	**447**	391	**14**	15	**–**	–	**63**	59	**–**	–	**2**	–	**526**	465	**526**	465	**–**	–
Sub-total Executive Directors	**981**	859	**28**	30	**–**	–	**139**	129	**–**	–	**5**	–	**1,153**	1,018	**1,153**	1,018	**–**	–

Non-Executive Directors

	Fees £000		Taxable benefits[e] £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 2021	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020	**FY 2021**	FY 2020
Bob Ivell	**284**	249	**–**	1.5	**–**	–	**–**	–	**–**	–	**–**	–	**284**	250.5	**284**	250.5	**–**	–
Ron Robson[f]	**45**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	46	**45**	46	**–**	–
Eddie Irwin	**53**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	46	**53**	46	**–**	–
Colin Rutherford[g]	**53**	58	**–**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**53**	58.5	**53**	58.5	**–**	–
Imelda Walsh[g]	**53**	58	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	58	**53**	58	**–**	–
Josh Levy	**53**	46	**–**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**53**	46.5	**53**	46.5	**–**	–
Dave Coplin	**66**	58	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**66**	59	**66**	59	**–**	–
Keith Browne	**53**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	46	**53**	46	**–**	–
Susan Murray	**66**	58	**–**	0.5	**–**	–	**–**	–	**–**	–	**–**	–	**66**	58.5	**66**	58.5	**–**	–
Jane Moriarty	**56**	46	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**56**	47	**56**	47	**–**	–
Sub-total Non-Executive Directors	**782**	711	**–**	5	**–**	–	**–**	–	**–**	–	**–**	–	**782**	716	**782**	716	**–**	–
Total Executive Directors and Non-Executive Directors	**1,763**	1,570	**28**	35	**–**	–	**139**	129	**–**	–	**5**	–	**1,935**	1,734	**1,935**	1,734	**–**	–

a. Taxable benefits for the year comprised car allowance, healthcare and taxable expenses.
b. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
c. The value of the PRSP vesting is estimated as nil as the share price underpin has not been met. If the underpin is not met by 25 May 2022 the awards will lapse. If underpin is met, the value will be updated in the FY 2022 report.
d. Includes free shares awarded under the SIP.
e. 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).
f. Ron Robson stepped down from the Board on 31 July 2021.
g. Imelda Walsh and Colin Rutherford stepped down from the Board on 19 July 2021.

Annual bonus

The Committee determined at the start of FY 2021 that no bonus would be payable to Executive Directors in respect of FY 2021 as it was clear the restrictions under which the business was operating and the subsequent further lockdown would extend well into the financial year.

Long-term incentives vesting during the year

FY 2019 PRSP vesting

During FY 2019 share awards were made to Phil Urban and Tim Jones under the terms of the PRSP to the value of 200% and 140% of their respective salaries.

The 2019/21 PRSP performance condition had two independent elements, Operating Cash Flow before separately disclosed items (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR performance against a group of sector peers (25% weighting).

The Covid-19 pandemic has severely impacted on performance with Operating Cash Flow of £897m well below the level required for threshold vesting (£1,497m). As a result, this element of the plan lapsed. TSR performance was 19.7% and above the median of the group (-2.7%) but below the level required for maximum vesting (24.9%). On this basis 86.1% of this element vests and overall vesting of the FY 2019/21 PRSP awards is therefore 21.5%. Vested shares remain subject to the requirements of a share price underpin. This means that vested shares can only be exercised in the event that the share price equals or exceeds £2.72 on any one day in the six months ending on 25 May 2022. If the share price underpin is not met within the six-month period, then the award will lapse.

The Committee has carefully considered if it is appropriate that the award should vest in line with the formulaic outcome. Over the performance period, when trading has been possible, the business has performed well across a range of performance indicators. In particular the online reputation score which is a key element of our overall guest health measure has increased to 4.3 and NPS scores prior to the pandemic remained strong.

Now more than ever the Committee recognises the importance of Environmental, Social and Governance matters when determining remuneration outcomes and despite the closure periods, good progress has been made. Food safety scores have been maintained at the previously high levels, with the number of businesses achieving a 4 or 5 rating in the independently operated National Food Hygiene Rating System ('NFHRS') consistently being above 98% over the period. Employee engagement scores have remained at very high levels prior to and throughout the Covid-19 pandemic and these surveys have been supplemented by additional wellbeing surveys that have helped shape our polices and processes for reopening and ensured the safety of our teams. Enhancing the sustainability of the organisation remains a key focus and despite the disruption caused by Covid-19, which temporarily paused progress in this area, work is ongoing to achieve our targets. During the performance period we became founding members of the Zero Carbon Forum, bringing the hospitality sector together to develop a roadmap to achieve net zero emissions, which signals our positive intention in this area.

The Executive Directors and senior management have led the business very effectively throughout the pandemic and demonstrated exceptional personal commitment to secure the future of the business for all stakeholders. Taking all of these factors into account the Committee concluded that the relatively modest levels of overall vesting are appropriate in the circumstances.

As a result, Phil Urban and Tim Jones will receive 89,483 and 52,382 shares respectively, subject to the conditions of the share price underpin. The value of these awards based on the average Mitchells & Butlers share price over the three months to the end of the financial year is £248,226 in respect of Phil Urban and £145,308 in respect of Tim Jones.

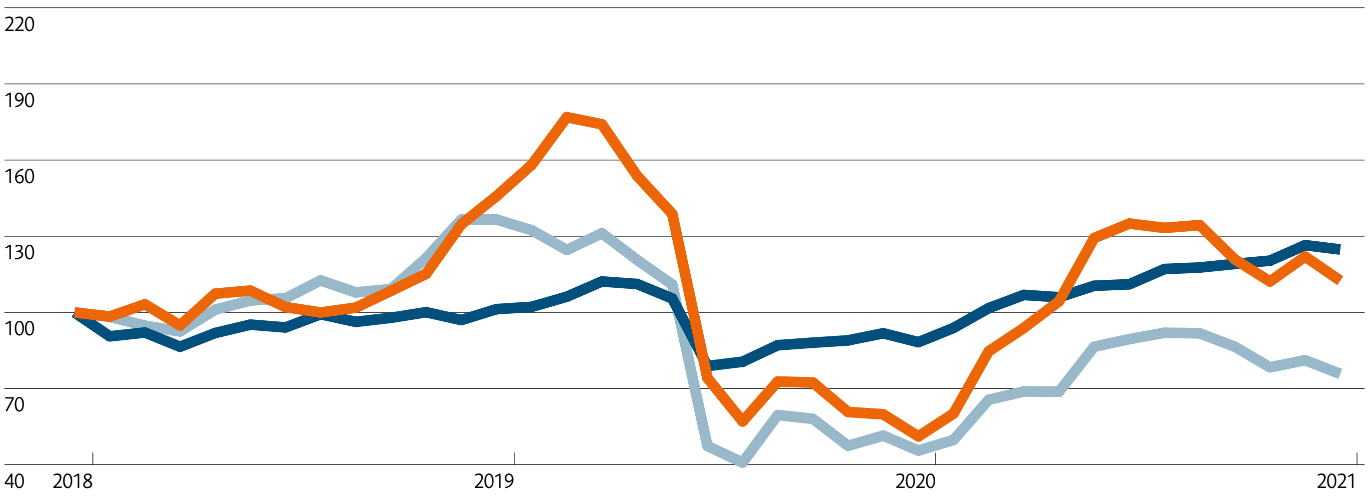
There is one other active PRSP, covering the 2020/22 performance period. As a result of the Covid-19 pandemic the Committee does not anticipate any vesting from the Operating Cash Flow element of the plan.

2019/21 PRSP – performance conditions	Threshold (25%) to maximum (100%) range*	Actual	% vesting
Operating Cash Flow (75% of the award)	£1,497m to £1,527m	£897m	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. subject to a share price underpin	19.7%	86.1

* 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 and Wetherspoon (JD) (the 'Peer Group').

Report on the Directors' remuneration *continued*

The graph below shows the TSR performance over the period, against the peer group and the FTSE 250.



Long-term incentive awards made during FY 2021

An award for 2021/23 was made to the Chief Executive and the Chief Financial Officer in May 2021 in accordance with the rules of the RSP and within the approved Remuneration Policy.

The RSP is not subject to further performance conditions. However, the Committee will take into account the following factors (amongst other things) when determining whether to exercise its discretion to adjust the number of shares vesting:

- if any adjustments have been made to annual bonus outcomes for each of the three years covered by the vesting period for awards under the RSP;
- whether there has been material damage to the reputation of the Company (in such circumstances, responsibility and hence any adjustments to the level of vesting may be allocated collectively or individually to participants); and
- that the business has a stable and appropriate capital structure in place following the cessation of restrictions on trade due to the Covid-19 pandemic that enables the recovery of the business and execution of the Company's strategic priorities.

Full details of awards made to Executive Directors under the RSP are set out below:

Executive Directors	Nil Cost Options awarded during the year to 25/09/21	Basis of award (% of basic annual salary)	Award date	Market price per share used to determine the award (p)[1]	Actual/ planned vesting date[2]	Latest lapse date[3]	Face value[4] £
Phil Urban	173,807	100	May 2021	308.1	Nov 2023	Feb 2024	545,059
Tim Jones	145,407	100	May 2021	308.1	Nov 2023	Feb 2024	455,996
Total	**319,214**						**1,001,055**

1. Market price is the average of the middle market quotation on the three days prior to the award being made.
2. The vesting period ends on 30 September 2023.
3. The date on which vested shares will lapse if not exercised.
4. Face value is the maximum number of shares that may vest (excluding any dividend shares that may accrue) multiplied by the middle market quotation of a Mitchells & Butlers share on the day the award was made (313.6p).

Sharesave and all-employee SIP

The tables opposite show the awards made to Directors under the Sharesave scheme and the free share element of the SIP during the year.

Sharesave

Director	Shares awarded during the year to 25/9/21	Award date	Option Price (p)	Earliest exercise date	Last expiry date
Phil Urban	7,031	17/06/21	256	1/10/24	31/3/25
Total	**7,031**				

SIP

Director	Shares awarded during the year to 25/9/21	Award date	Market price per share at award (p)	Normal vesting date	Market price per share at normal vesting date (p)	Lapsed during period
Phil Urban	1,001	17/06/21	293	17/06/24	n/a	n/a
Tim Jones	893	17/06/21	293	17/06/24	n/a	n/a
Total	**1,894**					

Directors' entitlements under the Partnership Share element of the SIP are set out as part of the Directors' interests table on page 88.

PRSP, RSP, STDIP and SAYE

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

Director	Scheme	Number of shares at 26 September 2020	Adjusted for Corporate Transaction[a]	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 25 September 2021
Phil Urban	PRSP	996,837	65,515	–	393,517	–	668,835
	RSP	–	–	173,807	–	–	173,807
	STDIP	65,459	7,108	–	–	46,535[b]	26,032
	SAYE	7,317	794	7,031	–	–	15,142
	Total	**1,069,613**	**73,417**	**180,838**	**393,517**	**46,535**	**883,816**
Tim Jones	PRSP	583,580	38,356	–	230,361	–	391,575
	RSP	–	–	145,407	–	–	145,407
	STDIP	54,751	5,945	–	–	38,921[b]	21,775
	SAYE	7,317	794	–	–	–	8,111
	Total	**645,648**	**45,095**	**145,407**	**230,361**	**38,921**	**566,868**

a. Shares adjusted to take account of the impact of the Open Offer. The adjustment was made to ensure that the value of incentives remained consistent post the completion of the Open Offer.
b. Release of FY 2018 and FY 2019 deferred bonus shares. The market value of these shares on the date of exercise (19 March 2021) was £147,051 in respect of the shares released to Phil Urban and £122,990 in respect of the shares released to Tim Jones.

Directors' interests

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

This requires the Chief Executive to accumulate Mitchells & Butlers shares to the value of a minimum of 250% of salary (200% 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 25 September 2021 was 188.5% of his basic annual salary (2020 73.5%) and Tim Jones' shareholding was 167.4% of his basic annual salary (2019 65.1%) and as a result the shareholding guideline is not yet met.

If deferred annual bonus shares that are due to be released in December 2021 are taken into account on a net of tax basis, the Chief Executive's shareholding would be 195.6% of base salary and the Chief Financial Officer's 174.6% 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 2021 this was 277.4p (FY 2020 163.2p). Prior to the Covid-19 pandemic, based on the projected outcomes for both short-term and long-term incentive plans it was anticipated that both Executive Directors would have met the shareholding requirement by the end of 2020.

Report on the Directors' remuneration continued

The interests of the Directors in the ordinary shares of the Company as at 25 September 2021 and 26 September 2020 are as set out below:

	Wholly-owned shares without performance conditions[a]		Unvested shares with performance conditions		Unvested shares without performance conditions[b]		Unvested options without performance conditions[c]		Unvested options with performance conditions/underpins[d]		Vested but unexercised options		Total shares/options	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Executive Directors														
Phil Urban	**363,868**	241,283	**–**	–	**26,032**	65,459	**15,142**	7,317	**842,642**	996,837	**–**	–	**1,247,684**	1,310,896
Tim Jones	**270,404**	178,664	**–**	–	**21,775**	54,751	**8,111**	7,317	**536,982**	583,580	**–**	–	**837,272**	824,312
Non-Executive Directors														
Bob Ivell	**17,222**	12,006	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,222**	12,006
Eddie Irwin	**43,883**	31,560	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43,883**	31,560
Dave Coplin	**2,836**	2,042	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,836**	2,042
Josh Levy	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Keith Browne	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Susan Murray	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Jane Moriarty	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**698,213**	465,555	**–**	–	**47,807**	120,210	**23,253**	14,634	**1,379,624**	1,580,417	**–**	–	**2,148,897**	2,180,816

a. Includes Free Shares and Partnership Shares granted under the SIP.
b. Deferred bonus awards granted under the STDIP.
c. Options granted under the Sharesave as detailed in the table on page 91.
d. Options granted under the PRSP or RSP as detailed in the table on pages 90 and 91.

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 acquired 114 and 115 shares respectively under the Partnership Share element of the Share Incentive Plan between the end of the financial period and 24 November 2021. There have been no changes in the holdings of any other Directors since the end of the financial period.

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 25 September 2021 was 267.8p and the range during the year to 25 September 2021 was 119.1p to 337.5p 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 25 September 2021.

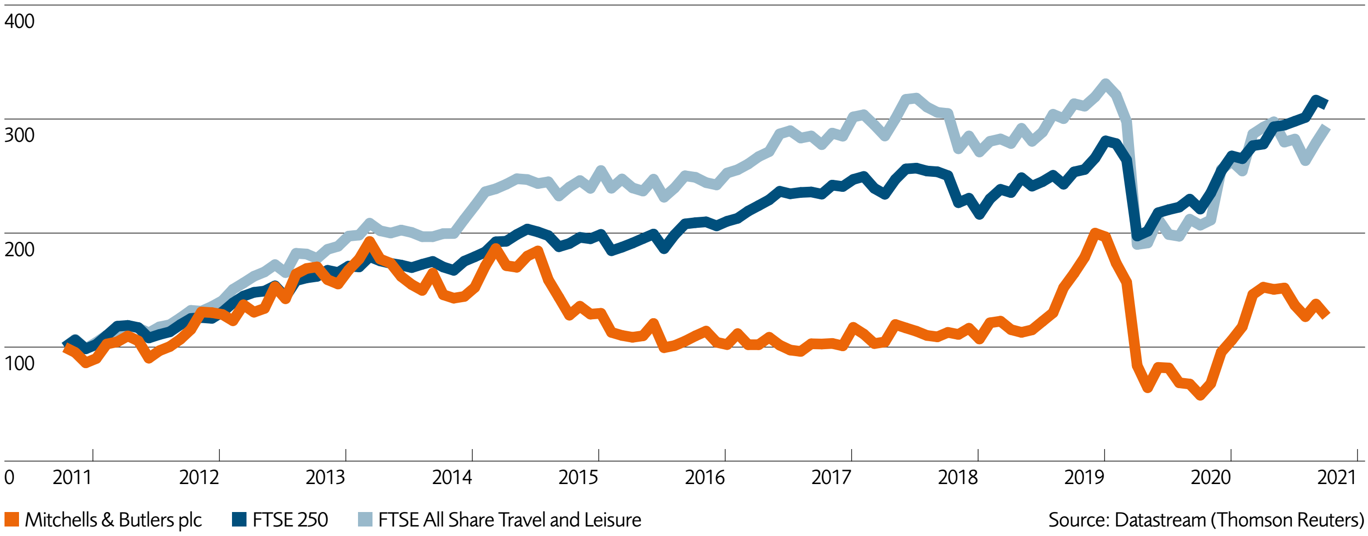
Payment for loss of office

No payments for loss of office were made in the year ended 25 September 2021.

Payments to past Directors

No payments were made to any past Directors in the year ended 25 September 2021.

Total shareholder return from September 2011 to September 2021 (rebased to 100)
This graph shows the value, by 25 September 2021, of £100 invested in Mitchells & Butlers plc on 24 September 2011, compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Travel and Leisure index.



Source: Datastream (Thomson Reuters)

CEO earnings history

Year ended	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	**25/9/21**
Phil Urban										
Single figure remuneration (£000)	–	–	–	–	613	770	819	1,684	553	**627**
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)	50	–	–	–	–	–	–	–	–	
Annual bonus outcome (% of max)	n/a[c]	–	–	–	–	–	–	–	–	
LTIP vesting outcome (% of max)	–	–	–	–	–	–	–	–	–	

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.

Report on the Directors' remuneration continued

Year-on-year change in remuneration of Directors compared to an average employee

	2021			2020		
	Salary/Fees	**Bonus**	**Benefits**	Salary/Fees	Bonus	Benefits
Average employee	**1.2%**	**81.6%**	**6.3%**	4.8%	76.1%	4.7%
Executive Directors						
Phil Urban	**0.0%**	**0.0%**	**-1.4%**	3%	-100%	-7.4%
Tim Jones	**0.0%**	**0.0%**	**-3.3%**	2.9%	-100%	-6.7%
Non-Executive Directors						
Bob Ivell	**0.0%**	**0.0%**	**-100.0%**	0.0%	0.0%	-25.4%
Eddie Irwin	**0.0%**	**0.0%**	**0.0%**	0.0%	0.0%	0.0%
Dave Coplin	**0.0%**	**0.0%**	**-100.0%**	0.0%	0.0%	-74.0%
Josh Levy	**0.0%**	**0.0%**	**-100.0%**	0.0%	0.0%	225.1%
Keith Browne	**0.0%**	**0.0%**	**0.0%**	0.0%	0.0%	-59.2%
Susan Murray	**0.0%**	**0.0%**	**-100.0%**	0.0%	0.0%	157.6%
Jane Moriarty	**24.5%**	**0.0%**	**-100.0%**	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. The increase in fees for Jane Moriarty reflects the additional fee received as Chair of the Audit Committee. 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 88.

Pay ratios

The table below sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles for 2021. 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)
2021	**Option C**	**41:1**	**38:1**	**36:1**
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 25 September 2021. 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 and exclude the value of any awards under the free share element of the SIP.

Pay details for the individuals are set out below:

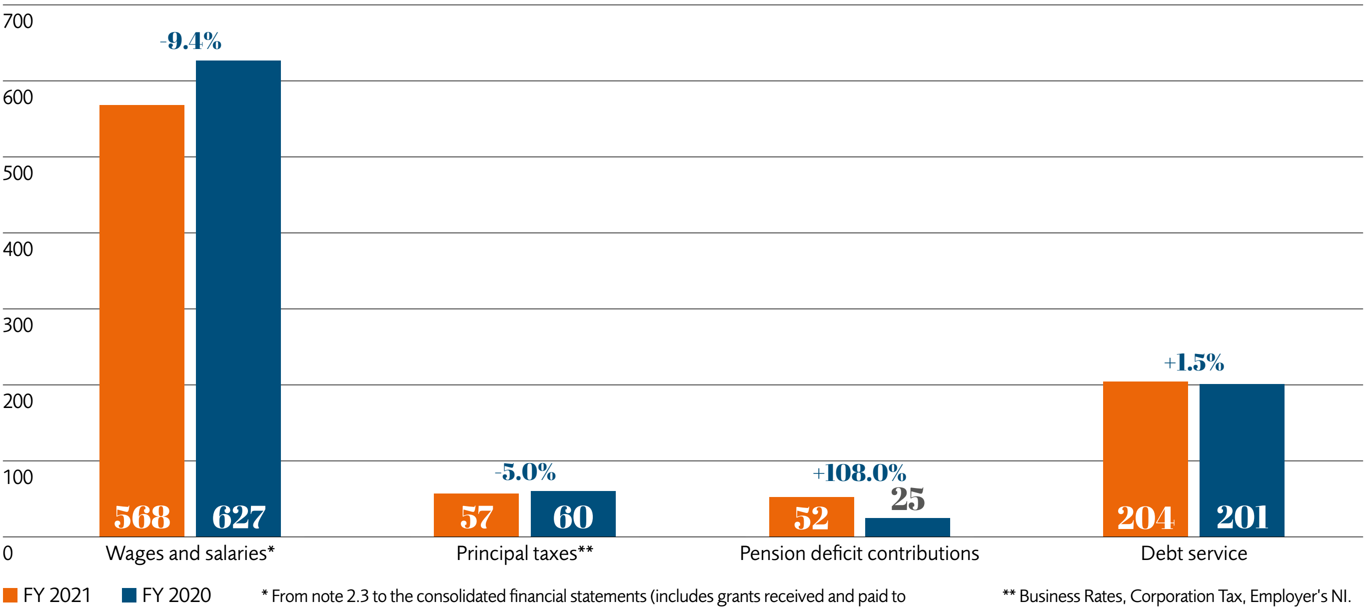
	Chief Executive (£)	P25 (lower quartile) (£)	P50 (median) (£)	P75 (upper quartile) (£)
Salary	534,034	15,215	16,216	17,126
Total pay	624,128	15,215	16,269	17,126

On a total pay basis, the ratio of workforce pay, to the Chief Executive's total pay increased slightly from FY 2020. The Chief Executive's base salary was temporarily reduced during FY 2020 in the first lockdown but reverted back to full pay from summer 2020 and through FY 2021. As a result, base pay and pension contributions increased in FY 2021 in comparison to FY 2020 although no actual increase in base pay applied. Employee pay data is based just on worked hours converted to a full time equivalent and therefore were not impacted by furlough pay.

As stated above, hourly-paid employees do not participate in the annual bonus plan, whereas salaried employees do participate in an annual bonus plan (circa 6,000 employees), although they have also seen no bonus payout in FY 2021. The median pay ratio is consistent with pay and progression policy for UK employees. 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 2021, £1.9m (0.33%) was paid to Executive and Non-Executive Directors (2020 £1.7m (0.3%)).



* 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.

Report on the Directors' remuneration continued

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 2022 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.

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 2022 AGM.

Implementation of remuneration policy in FY 2022
Base Pay and Pension contributions
With effect from 1 January 2022, Phil Urban's salary will increase to £551,500 (3%) and Tim Jones to £461,500 (3%). Their salaries were last increased in January 2020. These increases are below those seen for frontline colleagues but in line with those applied to support centre employees. In line with our established policy, these increases in base pay will be entirely offset by an equal reduction in the cash equivalent pension contribution. Therefore, the pension allowance paid to Executive Directors will reduce to 11% and overall fixed pay remains unchanged. The current employee average pension contribution is circa 4% and we anticipate that alignment will be achieved by FY 2024.

Annual Bonus
The Committee has determined that the annual bonus scheme for FY 2022 will revert to the structure previously in place for FY 2020, with an overall earnings opportunity of 100% of base pay for Executive Directors:

Operating Profit (70%)
- Half of the bonus opportunity will be payable for achieving a demanding Operating Profit target.
- Bonus will begin to accrue from a threshold level of performance, which will be set at 95% of target. This threshold level of performance is the same as that in place for the FY 2020 scheme.
- Full payment under this element would require a very strong performance with sales performance well above FY 2019 levels.

The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:

- 15% for Guest Health (NPS; combined social media scores and guest complaints).
- 10% for employee engagement.
- 5% for Food Safety.

The non-financial elements are only payable if a threshold level of performance is achieved. For FY 2022 this will be set at 97.5% of Operating Profit. The Committee has also agreed that consideration should be given in FY 2023 to the inclusion of an ESG measure or measures. Targets have not been disclosed as the Board considers these to be commercially sensitive. Targets will be disclosed in next years' report.

Executive Directors are also aware that the Committee may take into account other factors when assessing if any bonus may be paid as part of our established quality of earnings assessment. These factors may include the impact and implications of further restrictions and lockdowns, the extent of any additional Government support and the overall financial stability of the Group. The Committee will weigh these factors against the overall formulaic outcome of the scheme and may exercise its discretion to ensure that any bonus outcome is appropriate in the circumstances and reflects the performance of the business overall in the period.

RSP award FY 2022/24
An RSP award is due to be made in respect of the FY 2022/24 period. The Committee has agreed that the award for Executive Directors will remain at 100% of base pay.

The Committee has reviewed the performance underpin which it will take into account (amongst other factors) when determining its discretion to adjust the number of shares vesting. It concluded that the current underpin remains appropriate and continues to require the Committee to consider the following:

- if any adjustments have been made to annual bonus outcomes for each of the three years covered by the vesting period for awards under the RSP;
- whether there has been material damage to the reputation of the Company (in such circumstances, responsibility and hence any adjustments to the level of vesting may be allocated collectively or individually to participants); and
- that the business has a stable and appropriate capital structure in place following the cessation of restrictions on trade due to the Covid-19 pandemic that enables the recovery of the business and execution of our strategic priorities.

Non-Executive Directors' Fee Review
The Chairman and Non-Executive Director fees were last reviewed in January 2019. No changes are proposed for 2022.

Bob Ivell
Chairman
24 November 2021

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 168 to 170 of this report.