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.

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	Engagement	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

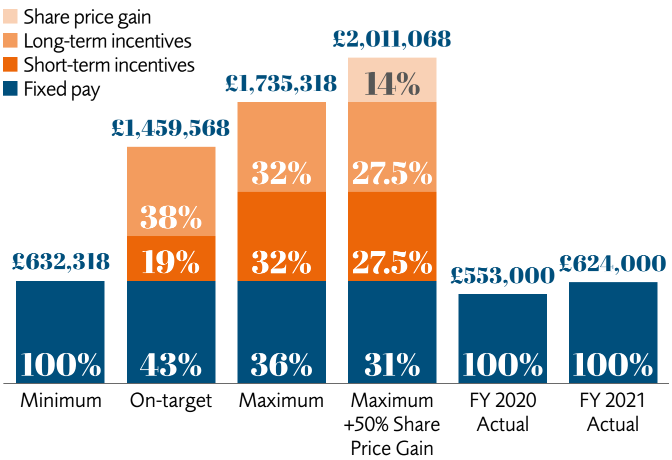
Table 1 on the right sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles.

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

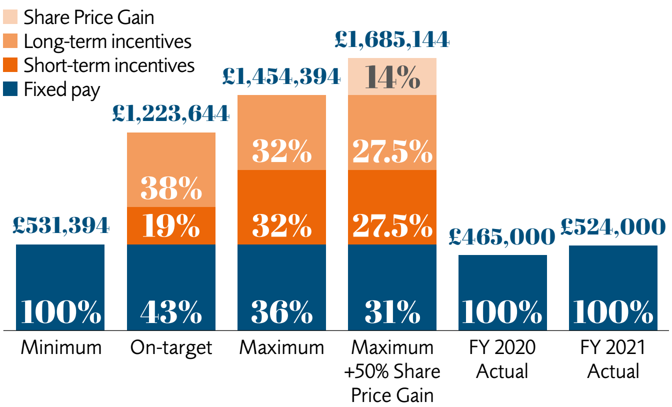


Table 1

	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:

Job Group (Number of employees)	Base pay	Bonus	Long-term incentives	All-employee share plans
Executive Directors (2) **Executive Committee** (8) **Senior management** (c.40)	Pay broadly around mid-market levels. Overall, increases (in percentage terms) consistent across all salaried employee groups.	Bonus schemes for all schemes align to the business scorecard. The majority of bonus opportunity is linked to financial performance.	Measures and targets for long-term incentive plans consistent for all participants.	All employees can participate in any of the all-employee share schemes, subject to qualifying service, building a stake in the business.
Retail Support Centre (c.950)				
Retail managers (c.4,700)				
Retail team members (c.35,600)	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.	Our pay approach is aimed at providing regular and predictable earnings through competitive base pay for our retail team members. This is valued more highly than variable pay elements for retail team members and is in line with our 'competitive' and 'straightforward' remuneration principles.		

Workforce engagement

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

Remuneration Committee

Employee survey

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

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.

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.

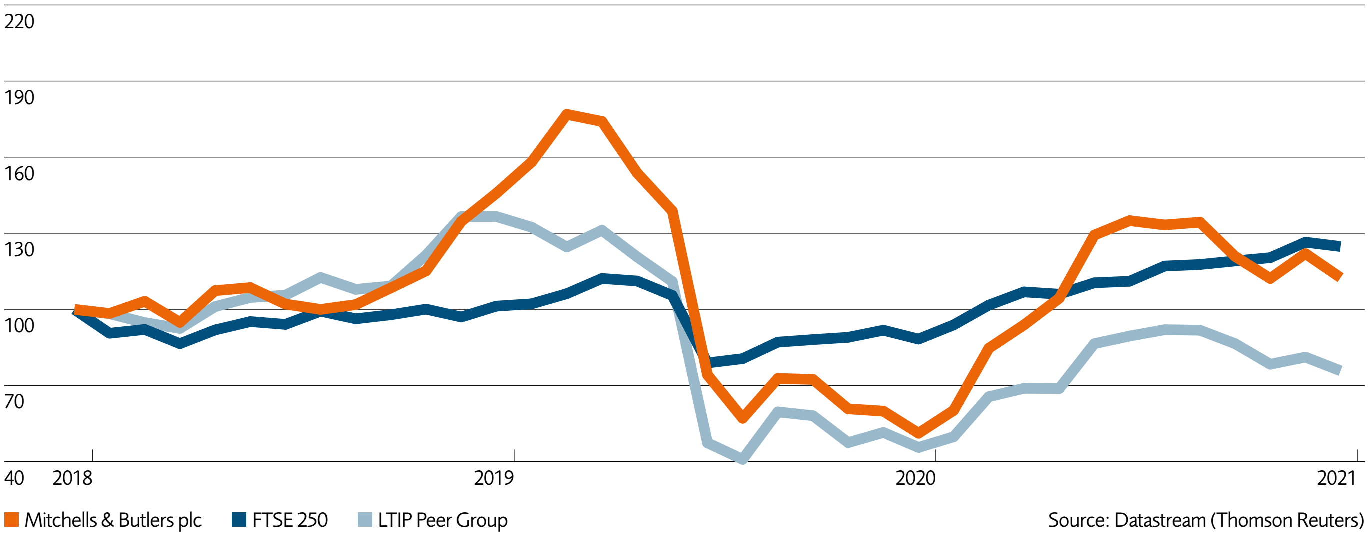
2019/21 PRSP – performance conditions	Threshold (25%) to maximum (100%) range*	Actual	% vesting
Operating Cash Flow (75% of the award)	£1,497m to £1,527m	£897m	Nil
Total Shareholder Return relative to peer group** (50% weighting)	25% would vest for matching the median of the group. 100% would vest for 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.

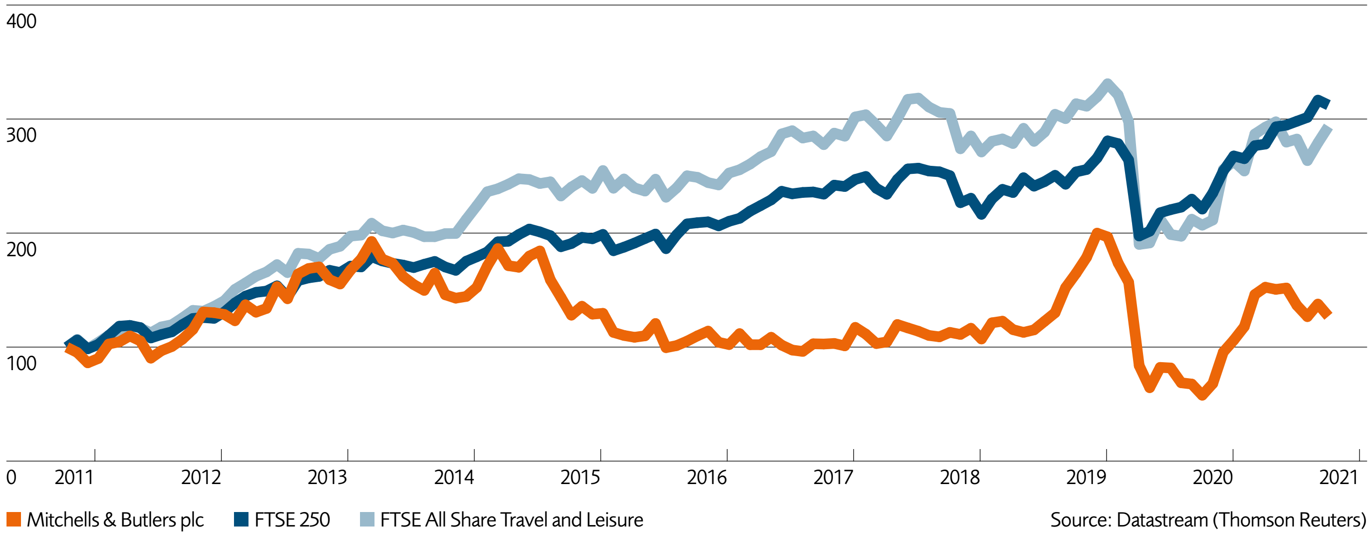
Fees for external directorships
No external non-executive directorships were held by either Executive Director during the year to 25 September 2021.

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:

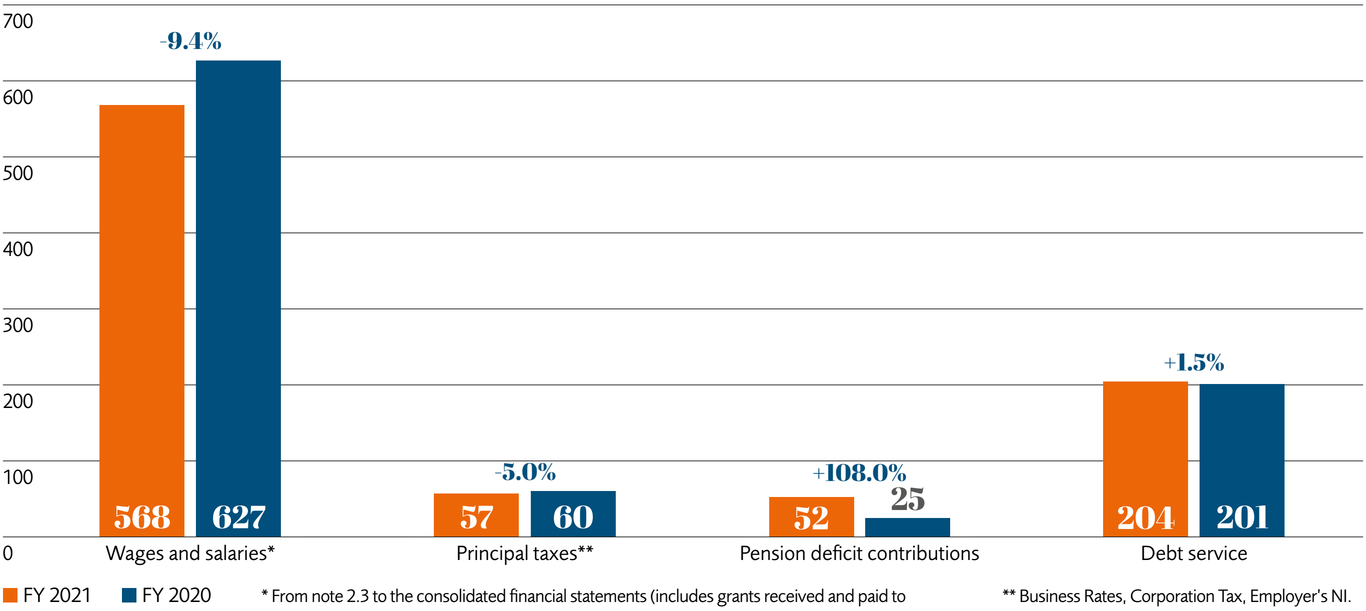
	Chief Executive (£)	P25 (lower quartile) (£)	P50 (median) (£)	P75 (upper quartile) (£)
Salary	534,034	15,215	16,216	17,126
Total pay	624,128	15,215	16,269	17,126

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.

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.