

**Mitchells & Butlers plc**  
**Remuneration Committee Terms of Reference**

**Membership**

1. The Remuneration Committee members shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Remuneration Committee, in accordance with the Company's articles of association.
2. The Remuneration Committee shall comprise a minimum of three members, all of whom shall be independent Non-Executive Directors. In addition, the Remuneration Committee may include representatives of significant shareholders. The chairman of the Board may also serve on the Remuneration Committee as an additional member if he or she was considered independent on appointment as chairman.
3. The chairman of the Remuneration Committee shall be an independent Non-Executive Director and be appointed by the Board on the recommendation of the Nomination Committee from among the members of the Remuneration Committee. Before appointment as chairman of the Remuneration Committee, the appointee should have served on a Remuneration Committee for at least 12 months. In the absence of the chairman of the Remuneration Committee (and/or an appointed alternate member), the members present at any meeting of the committee shall elect one of their number to chair the meeting. The chairman of the Board shall not be chairman of the Remuneration Committee.
4. The chairman and members of the Remuneration Committee shall be listed each year in the annual report of the Company.
5. Each member who is an independent Non-Executive Director shall hold office as a committee member for a period of up to three years, which may be extended by no more than two additional three-year periods, provided the Directors still meet the criteria for membership of the Remuneration Committee.
6. If any member of the Remuneration Committee is unable to act for any reason, the chairman of the Remuneration Committee may appoint another independent Non-Executive Director of the Company or, if agreed by the other members of the Remuneration Committee, the chairman of the Board to act as that member's alternate.
7. The Company Secretary or his/her nominee shall be the secretary of the Remuneration Committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
8. Each member of the Remuneration Committee shall disclose to the Remuneration Committee:
  - a. any personal financial interest (other than as a shareholder) in any matter to be decided by the Remuneration Committee; or
  - b. any potential conflict of interest arising from a cross-directorship.
9. Any such member who has disclosed an interest in accordance with paragraph 8 shall abstain from voting on resolutions of the Remuneration Committee in relation to which

such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Remuneration Committee.

## **Meetings**

10. The Remuneration Committee shall meet at least three times in each year and otherwise as the chairman of the Remuneration Committee shall require.
11. No one other than the chairman and members of the Remuneration Committee is entitled to be present at a meeting of the Remuneration Committee. The chairman and members of the Remuneration Committee shall, however, have the discretion to decide who else shall be invited to attend for all or part of any meeting, as and when appropriate and necessary.
12. The chairman of the Company and the chief executive shall be invited by the Remuneration Committee to attend meetings to discuss the performance of the other Executive Directors and to make proposals as necessary. The Remuneration Committee may consult the other Non-Executive Directors in its evaluation of the chief executive.
13. No Director or manager shall be present at any meeting of the Remuneration Committee when his/her own remuneration is being discussed. No Director shall be involved in any decision as to his own remuneration.
14. The quorum for meetings of the Remuneration Committee shall be two members present throughout the meeting in person or by telephone. A duly convened meeting of the Remuneration Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Remuneration Committee.
15. Meetings of the Remuneration Committee shall be called by the secretary of the Remuneration Committee at the request of any of its members.
16. Unless otherwise agreed, notice of each meeting of the Remuneration Committee confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall normally be forwarded to each member of the Remuneration Committee and any person invited to attend in advance of the meeting as soon as practicable and, in the absence of the need for an urgent meeting, no later than three working days before the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Remuneration Committee to all members of it and to arrange such meetings so that members are able to attend them.
17. A member of the Remuneration Committee may participate in a committee meeting by telephone.
18. In the event of an equality of votes, the chairman of the Remuneration Committee shall not have a casting vote.
19. The secretary of the Remuneration Committee shall prepare minutes of any meeting of the Remuneration Committee. Minutes shall include names of those present and in attendance. After approval and signature by the chairman of the Remuneration Committee the secretary shall circulate the minutes to all members of the Remuneration Committee and to the chairman of the Board and, once agreed, to all

other attendees unless in the opinion of the committee chairman it would be inappropriate to do so.

20. The chairman of the Remuneration Committee shall be available to answer questions about the committee's activities at the Annual General Meeting of the Company. All members of the Remuneration Committee shall also attend the Annual General Meeting.

#### **Duties**

21. The Remuneration Committee shall consult the chairman of the Company and the chief executive about its proposals relating to the remuneration of other Executive Directors.
22. The duties of the Remuneration Committee shall be to:
  - a. determine on behalf of the Board the Company's policy of executive remuneration and its cost giving full consideration to the matters set out in the UK Corporate Governance Code (the Code) The Committee should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of the Company and individual performance, and wider circumstances.;
  - b. on the Board's behalf, determine the policy and determine and approve the terms and conditions of employment, remuneration/compensation and benefits of each of the Chairman of the Board, Executive Directors, members of the Executive Committee (being those individuals who report to the Group Chief Executive Officer) and the Company Secretary (together the "Senior Executives") , giving full consideration to the matters set out in the Code, including determining the following in respect of the Senior Executives:
    - i. Fixed pay elements including salary, benefits and pension arrangements;
    - ii. Variable pay elements including annual bonuses and other incentive arrangements;
    - iii. Service contract including notice period, termination arrangements and other items such as non-compete clauses.
  - c. take into account all factors necessary when determining the remuneration policy, which shall be designed to promote the long-term success of the Company, having regard to the views of the shareholders and other stakeholders, the risk appetite of the Company and alignment with the Company's long-term strategic goals and the culture of the Company and its subsidiaries in relation to how reward issues form part of the overall governance framework. Performance-related elements should be transparent, stretching and rigorously applied.
  - d. review workforce remuneration and incentive programmes throughout the wider Company to ensure alignment with the Company's culture and strategy and to take this into account when determining the policy and remuneration for the Senior Executives.

- e. determine all aspects of share-based arrangements.
  - f. review the on-going appropriateness and relevance of remuneration policy;
  - g. when setting remuneration policy for Directors, review and have regard to pay and employment conditions across the Company or Group;
  - h. advise on any major changes in employee benefit structures throughout the Company or Group;
  - i. liaise with the Nomination Committee to ensure that the remuneration packages of newly appointed Executive Directors are within the Company's overall policy;
  - j. review and consider at least annually pay and related policies in place across the Company and the Group to :
    - i. ensure alignment of workforce remuneration, including incentive programs with the Company's culture and strategy;
    - ii. report how decisions on executive pay align with the wider Company or Group remuneration policy;
    - iii. enable the Committee to feedback to the Board on workforces reward, incentives and conditions and actions to address any pay gaps and pay ratios within the business;
  - k. be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee within any budgetary restraints imposed by the Board and considering any other connection that they may have with the Company or the Group;
  - l. make available these terms of reference, explaining its role and the authority delegated to it by the Board by including the information on the Company's website;
  - m. consider any other matters as referred to the Remuneration Committee by the Board;
  - n. agree the policy for authorising expense claims for Directors; and
  - o. work and liaise as necessary with all other Board committees.
23. The remuneration of Non-Executive Directors shall be a matter for the chairman and the Executive Directors.
24. In relation to each of the cash bonus plan(s) and equity incentive plan(s) the duties of the Remuneration Committee shall be to:
- a. determine policy for the grant of awards/options to Senior Executives of the Mitchells & Butlers group, to ensure that they are provided with appropriate

incentives consistent with the Company's policy as stated in the Directors' remuneration report for the Company's last audited financial year;

- b. approve all and any awards/options to Senior Executives, including consideration of the quantum of grants and vesting schedules;
- c. set appropriate performance targets in connection with the awards and options;
- d. determine in conjunction with the Company's auditors, whether such performance targets have been satisfied;
- e. approve any amendments to the Plans prior to obtaining any necessary shareholder approval;
- f. exercise any discretion specified in the rules of the Plans and generally oversee the administration of Plans offered to Senior Executives;
- g. consider and review the terms of any new equity plans for Senior Executives.

#### **Reporting responsibilities**

- 25. The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 26. The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 27. The Remuneration Committee shall:
  - a. assist the Board in preparing an annual remuneration report to shareholders for the purposes of, and in accordance with, sections 420 and 421 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, LR 9.8.8.R of the Listing Rules of the Financial Conduct Authority and the provisions of the Code. The report will form part of, or be annexed to, the Company's annual report and accounts and will be put to shareholders for approval at the Annual General Meeting. If the Remuneration Committee has appointed a remuneration consultant in accordance with paragraph 22.i, the report should identify such consultants and state whether they have any other connection with the Company or Group; and
  - b. draft the remuneration policy for approval by shareholders.
- 28. The Remuneration Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

#### **Other**

- 29. The Remuneration Committee shall
  - a. have access to sufficient resources to carry out its duties, including access to the Company secretariat for assistance as required;

- b. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- c. be provided with appropriate and timely training, in the form of an induction programme for new members and on an ongoing basis for all members;
- d. give due consideration to laws, regulations, guidelines and recommendations regarding the remuneration of Directors and the formation and operation of share schemes, including but not limited to the provisions of the Code, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules, the guidelines published by the Investment Association and the Pensions and Lifetime Savings Association and any other applicable rules or guidance, as appropriate; and
- e. oversee any investigation of activities which are within its terms of reference.

### **Authority**

- 30. The Remuneration Committee is authorised by the Board to undertake any activity within its terms of reference.
- 31. The Remuneration Committee is authorised by the Board to delegate any of its powers to one or more of its members or the Company Secretary. Any such delegation should be approved by a majority of the members of the Remuneration Committee.
- 32. The Remuneration Committee is authorised by the Board to obtain inside and outside legal or other professional advice including the advice of independent remuneration consultants, as well as information about remuneration practices elsewhere, at the Company's expense. The Remuneration Committee may, if it thinks fit, supply to others information about the Company's remuneration practices and secure the attendance at meetings of outsiders with relevant experience and expertise.
- 33. The Remuneration Committee is authorised by the Board to investigate any activity within the scope of its duties.
- 34. The Remuneration Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties. All employees are directed to co-operate with any request made by the Remuneration Committee.

**Revised and updated: November 2018**