Chairman's statement

Bob Ivell
Chairman

"Our top priority remains the safety of our team members and guests, while carefully rebuilding the profitability of the business."

This year has again been dominated by the effect of the Covid-19 pandemic on our communities and our business. From lockdowns, to tiering, to the loss of Christmas trade, to the gradual reopening of our sites we have been in the continued grip of events that are unparalleled in our trading history.

These events clearly presented the business and its management with a number of challenges. Throughout we have striven to ensure the safety of our team members and our guests. Thanks both to the excellence of our operational teams and the strength of our governance, I am proud to say that we were always able to move swiftly and decisively to safeguard our guests and team members as circumstances shifted and changed. Further detail on these governance arrangements can be found in the corporate governance statement on page 62.

We also needed to refinance the business such that we were able to survive extended periods of lockdown and were in a position to emerge from the crisis, brought about by the pandemic, in a position of strength. The Group's liquidity and solvency positions deteriorated considerably as a result of closures and trading restrictions and, therefore, in February 2021, an Open Offer was launched to raise sufficient fresh equity to recapitalise the business and provide financial stability. The quantum of the equity raise was carefully considered, and in March 2021 gross proceeds of £351m were raised through a fully pre-emptive offer, to provide the Group with the optimum capital structure to support the business through the expected remaining disruption of the pandemic, and, going forward, to deliver its strategy to win market share whilst deleveraging.

In advance of the equity raise, 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. This was in order to help support the significant capital needs of Mitchells & Butlers and provide a clear and consistent framework for their future relationship with the Company. As a result of the establishment of the Odyzean Group, around 57 per cent of the Company's shares are now owned and controlled by the Odyzean Group. The Odyzean Group has communicated to the Company that it is fully supportive of the Group's management team, which has established the business as a sector leader with a strong focus and direction.

"Thanks both to the excellence of our operational teams and the strength of our governance, I am proud to say that we were always able to move swiftly and decisively to safeguard our guests and team members as circumstances shifted and changed."

Our purpose

During this period our purpose to be the host of life's memorable moments, bringing people and communities together through great experiences, has continued to be highly important. We remain at the centre of our communities as a place for our guests to meet and socialise. Despite all the disruption and change during the period, this core responsibility has remained. Given this, we were delighted to begin to reopen our businesses in April with outdoor trading and to then be able to welcome our guests inside in May.

In this report we bring to life how we make our purpose live in the business, to the benefit of all stakeholders, through a series of case studies.

Our culture

Our people are our greatest asset, and this has never been more evident than during the period of the pandemic. The positivity, resilience, flexibility and care shown by our staff have set new standards, demonstrating the team culture which exists within the organisation. Whatever has been thrown at them, both personally and professionally, they have responded brilliantly, and I would like to thank all of them for their hard work, focus and dedication to Mitchells & Butlers and its guests.

The Board and the Executive team, who lead the organisation, have also responded magnificently, dealing with the complex operational and financial challenges caused by the pandemic calmly and efficiently. Although the environment remains uncertain, we will continue to endeavour to support our people, with health, wellbeing and financial security being the most important aspects of that support.

Our values

The values we hold ourselves accountable to across the business are Passion, Respect, Innovation, Drive and Engagement. We believe that these foster the culture and environment needed to enable our people to work collectively, and in union with our stakeholders, to support our purpose.

Our Board

During the year, the Board 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 that at times had no income to support it.

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.

Bob Ivell
Chairman
Mitchells & Butlers plc

Chairman's introduction to Governance
Go to page 48

Chief Executive's business review

Phil Urban
Chief Executive

"Demand for our well-loved brands has been demonstrated by an encouraging return to sustained like-for-like sales growth since restrictions have been lifted."

Introduction

In my review this year I would like to remind you of the chronology of the events that impacted the business over the last year, update you on our actions to address our liquidity needs, outline how we performed once we reopened, and as restrictions began to lift, before focusing on the year ahead, and on the many exciting initiatives that we have kicked off again, which we believe will regain the momentum the business previously had.

Before I do though, I would like to comment on the supportive contribution from our stakeholders during the period and the excellent position the business is in to progress over the medium term.

Clearly events during the period made it a very difficult year for our General Managers and their teams, who were nothing but totally professional throughout, stepping up and supporting the business at every turn.

For the first half of last year we were focused on the short-term financial security of the business, and therefore halted our capital programme to conserve cash, suspended our work on our Ignite programme and took short-term action to reduce the outgoings of the business as much as possible.

We have worked closely with our suppliers who we thank for supporting us through lockdown, and helping us to reopen, in some cases at relatively short notice.

Most importantly, our customers have remained loyal to our brands and businesses despite periods of closure, changing operating templates, and reduced menus. Trading since restrictions were lifted has been strong with pent up demand to meet with friends and family again evident.

Despite the inevitable challenges faced by our business over the past year we are now well positioned to regain the momentum previously built as we come out of the pandemic.

The trading environment remains challenging and cost headwinds continue to put pressure on the sector. However, we have strengthened our balance sheet and returned to profitability and cash generation, allowing us to resume our capital plan and Ignite programme which will deliver sales and efficiency improvements to help combat these challenges. Demand for our well-loved brands has been demonstrated by an encouraging return to sustained like-for-like sales growth since restrictions have been lifted, and we are confident in our ability to continue our recovery as a market leading operator.

Business review

The start of the year was dominated by the continuing effects of Covid-19 with increased trading restrictions, including the introduction of regional tiers, resulting in reduced guest visits in the lead up to the second four-week lockdown in England on 5 November.

Throughout closure periods we kept operating costs to a minimum, reduced discretionary capital expenditure and over 99% of employees were put on furlough. We continued to work hard to keep all our team members connected and informed through our support portal, launched last financial year, and social media platforms. The welfare and mental health of our team have continued to be a primary concern and we are encouraged by the way our teams have pulled together in this difficult time.

Trading recommenced on 2 December, but with even tighter restrictions within the regional tiers, including tier 3 areas remaining closed. Throughout December, restrictions became progressively tighter resulting in further site closures and significantly reduced sales activity over the important festive trading season followed by full closure of the estate for the third time from 30 December, ahead of the imposition of the wider third national lockdown on 4 January.

As a result, the Group's liquidity position deteriorated significantly over the first quarter. On 15 February we announced our intention to undertake an Open Offer to raise additional equity. In parallel with this process, we reached agreement with our relationship banks for a new £150m three-year unsecured facility and extended temporary waivers and amendments in place over the securitisation to avoid technical breaches that would have been incurred due to forced closure, both of which were conditional on completion of the Open Offer. The formation of the Odyzean Group was also announced, representing the combined shareholdings of Piedmont, Elpida and Smoothfield, demonstrating their support for the Company through this critical period.

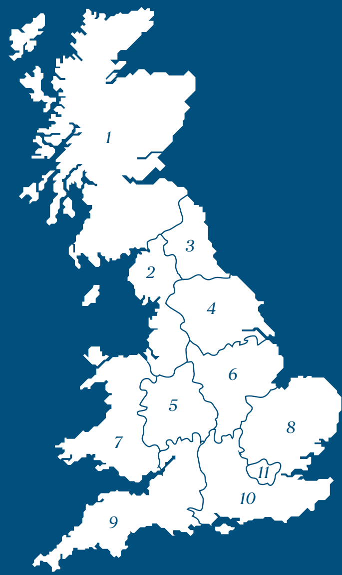
The Open Offer was launched on 22 February, with the results published on 11 March confirming gross proceeds of £351m to provide funding for short-term working capital needs and to reduce the level of unsecured debt and strengthen the balance sheet. In particular, this enabled us to restart our estate investment strategy and maintain our strong competitive position, while continuing our focus on long-term deleveraging.

The estate remained closed until phased reopening began on 12 April with outdoor trading only which allowed 31% of the estate to open. On 17 May indoor trading was also permitted with Covid-secure procedures in place including table-service only, restrictions on group sizes and face coverings. A phased approach to reopening across our sites meant that by June 98% of the estate had reopened and from 19 July all restrictions were lifted.

Total sales across the full year were £1,065m reflecting these restrictions on trade and a total of 18 weeks of mandated closure[b]. Operating profit of £81m (FY 2020 £8m) was generated, with adjusted operating profit[a] of £29m reflecting the strong return to profitability the business made when sites reopened.

Mitchells & Butlers has continued to play a role in the UK Hospitality forums that helped devise the Hospitality Sector Protocols Document and has lobbied the Government directly to support the sector during closure. We welcomed the Government's extended support through a reduced VAT rate on certain supplies and the business rates holiday, in addition to the security of employment provided by the furlough scheme enabling us to continue to protect the vast majority of our employees. However, we are disappointed that, going forward, Government support has been largely limited to small, independent operators.

UK Outlets by region (FY 2021)



% of outlets

1	Scotland	5%
2	North West	10%
3	North East	3%
4	Yorkshire and Humberside	9%
5	West Midlands	15%
6	East Midlands	5%
7	Wales	4%
8	East of England	7%
9	South West	7%
10	South East (excluding London)	15%
11	London	20%

82%
of the UK population live within five miles of an M&B site

Over 43,000
Employees as at 25 September 2021

82%
Freehold properties

Chief Executive's business review continued

Our strong portfolio of brands and formats includes Harvester, Toby Carvery, All Bar One, Miller & Carter, Premium Country Pubs, Sizzling Pubs, Stonehouse, Vintage Inns, Browns, Castle, Nicholson's, O'Neill's and Ember Inns. In addition, we operate Innkeeper's Collection hotels in the UK and Alex restaurants and bars in Germany.

15

Brands and formats
across 1,645 sites

Alex
44 sites

Harvester
163 sites

Premium Country Pubs
126 sites

All Bar One
54 sites

High Street
71 sites

Stonehouse
92 sites

Browns
23 sites

Miller & Carter
120 sites

Suburban
242 sites

Castle
106 sites

Nicholson's
78 sites

Toby Carvery
154 sites

Ember Inns
150 sites

O'Neill's
41 sites

Vintage Inns
181 sites

Over this period, consumer trends such as home delivery have been accelerated and digital technology, that we were already implementing, has become increasingly important. Order-at-table, now successfully rolled out across the majority of our estate, has been particularly popular with our pub brands where we saw sales mix build whilst restrictions were in place. The usage of this technology has reduced since restrictions were lifted but levels remain significantly higher than before the pandemic.

The unprecedented challenges the industry has faced have had an unavoidable impact on market supply with an 8.6% decline in licensed premises since March 2020, according to the October AlixPartners CGA Market Recovery Monitor. We believe that the platform of financial stability provided through the equity raise leaves us well placed to benefit from these changes in the competitive landscape.

Our strategic priorities

Despite the impacts of Covid-19, the fundamental strengths of our business remain and ensure we are well-positioned for the future. We have an 82% freehold estate, with recognised and diversified brands across a broad range of consumer demographics and geographical locations, and an experienced and proven management team with the focus to build on the momentum previously gained before the pandemic and the recovery that is being seen after the end to Covid-related restrictions. In the short to medium term, our priority is on successfully trading the business in the current challenging environment, ensuring the safety of our team members and guests, managing significant cost inflation and on growing the business back to, and beyond, the levels of trade that we were enjoying before Covid-19.

Our Ignite programme of work remains at the core of our long-term value creation plans and we have now reopened our project office and we are working on 43 fresh initiatives, some of which are already being implemented in the business. Our immediate focus, on reopening, was the successful rebuilding of trade following the extended periods of closure and we prioritised initiatives that support this, such as the enhancement and expansion of our delivery offer and the review of promotion and pricing at brand level. Going forward, as cost pressures mount beyond normal pre-pandemic levels, we are also increasingly focusing on initiatives which enhance efficiency and productivity, helping to offset some of these headwinds in areas such as optimal labour scheduling (increasing the efficiency with which we deploy our labour at site level), automatic product ordering (improving stock management and process efficiency), reduction of food and drink waste and enhancing capacity utilisation in our sites. We remain confident in our ability to deliver long-term and sustained efficiencies and business improvements through the existing Ignite programme.

We also resumed our capital programme which has been proven to deliver value by improving the competitive position of our pubs and restaurants within their local markets. We are committed to re-establishing a 6-7 year investment cycle and whilst we are likely to encounter short-term supply issues in terms of material procurement and contractor availability, which may affect progress in the current financial year, this continues to be a key focus for the business.

"Whilst uncertainty and challenges still remain, we are encouraged by the demand that we have seen since reopening, supporting a return to profitability and cash generation."

Current trading and outlook

Since trading resumed without restrictions on 19 July, we have seen an encouraging return to like-for-like sales[a] growth, helped by the lower rate of VAT on food and non-alcoholic drink sales. Since the year end, like-for-like sales[a] have been in growth of 2.7% as compared to the same period in FY 2019. However, cost headwinds present a major challenge to the hospitality sector as a whole, most notably in utilities and employment costs. Through accelerated and focused delivery of a new set of Ignite initiatives and tight control of the business we are working hard to mitigate these costs as far as possible, but there will inevitably be a residual impact on the current financial year's performance.

We successfully launched our Open Offer on 22 February, raising £351m. The equity raise, alongside the associated package of refinanced terms for our secured and unsecured debt, provides a strong platform of financial stability as we continue to rebuild the business after the disruption caused by the Covid-19 pandemic.

At the balance sheet date, the Group had cash balances on hand of £227m, with undrawn unsecured facilities of £150m.

Whilst uncertainty and challenges still remain, we are encouraged by the demand that we have seen since reopening, supporting a return to profitability and cash generation.

Phil Urban
Chief Executive
Mitchells & Butlers plc

Definitions

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.
b. Mandated closure is defined as more than 90% of the estate being closed.

Our markets

The external environment

During the year the Covid-19 pandemic has continued to dominate the sector. At the beginning of the period restrictions began to tighten after a period of trading with minimal restrictions during the summer.

Regional restrictions were introduced in October 2020 and on 5 November a second full lockdown was announced. Trading resumed on 4 December with tighter restrictions within the regional tiers, including closure for tier 3 sites, and as case numbers continued to rise further a review of regional tiering resulted in 44 million people entering tier 4 which required the closure of pubs and restaurants. At this point, the whole of the estate was closed and remained closed through the next national lockdown which commenced on 4 January 2021 and required all pubs and restaurants to close apart from for the provision of takeaway.

A phased reopening of the hospitality sector began on 12 April with outdoor trading only. Indoor trading with restrictions such as table service only and with one-metre social distancing required, was allowed to resume on 17 May, and on 19 July, 'Freedom Day', all restrictions were lifted.

In April, with the resumption of outdoor trading, like-for-like sales across the market, as measured by the Coffer Peach Tracker, opened in decline for the month of 26% against the comparable period in 2019, with total sales down 60% over the month reflecting the large proportion of sites which remained closed.

After trading restrictions were removed, sales across the market improved and like-for-like sales[a] growth was achieved in August and September. Performance was generally stronger in suburban locations than city centres, with consumers staying local during the pandemic and much of the workforce continuing to work from home. Footfall within major cities remained well below pre-pandemic levels making trading in city centres more challenging. However, footfall has been slowly increasing in cities and an improvement in performance has followed, a trend which is expected to continue. We believe that the desire to socialise in pubs and restaurants, and to share experiences which cannot easily be replicated at home, remains strong and that there is pent-up demand which has built during closure.

Supply of pubs and restaurants has reduced since March 2020 before the first national lockdown in response to Covid-19, with the financial pressure of closures and trading restrictions forcing a number of operators to close. Since March 2020 9,900 pubs and restaurants have closed representing a reduction in supply of 8.6%.

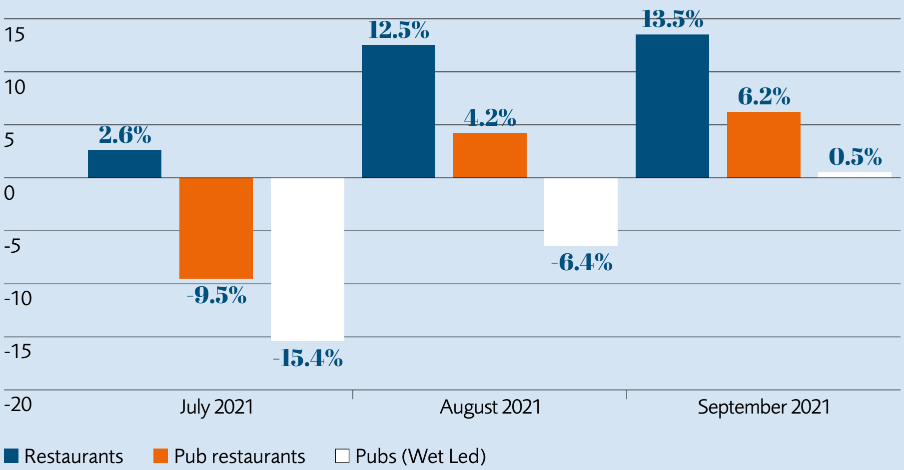
Digital technology became increasingly important in supporting the business during the pandemic. Technology allows the service cycle to be adapted whilst adhering to Government restrictions. Facilities such as guests' ability to make an order-at-table on their phone helped pubs and restaurants to reduce contact between teams and guests. Guests became more accustomed to digital elements of their experience in pubs and restaurants, such as scanning a QR code to access menus, and paying on their mobiles, and therefore the use of technology to enhance guests' experience has been accelerated due to the impacts of Covid-19.

Brexit remains an important event for the market and has created risks for the sector, principally around the supply and cost of products and workforce shortages. Risks in relation to procurement have been well managed by buying ahead to mitigate the potential lack of availability of products, reviewing and updating key contracts to maintain commerciality of agreements, identifying contingency markets and maintaining strong commercial relationships with key suppliers. Our apprenticeship programme has been a key asset in managing the risk around workforce shortage and remains a focus for the business going forward.

"Brexit remains an important event for the market and has created risks for the sector, principally around the supply and cost of products and workforce shortages.

Risks in relation to procurement have been well managed by buying ahead to mitigate the potential lack of availability of products, reviewing and updating key contracts to maintain commerciality of agreements, identifying contingency markets and maintaining strong commercial relationships with key suppliers."

Coffer CGA business tracker (inc. M&B) by Segment



Source: Coffer CGA business tracker

Net market outlet closures post Covid-19 pandemic

	Net market closures March 2020 to September 2021	% change in total known sites March 2020 to September 2021
Food-led	-4,669	-10.8%
Drink-led	-4,201	-6.9%
Accommodation-led	-1,030	-9.6%
Total	-9,900	-8.6%

Source: CGA Alix Partners market recovery report October 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.

Our strategic priorities

Maintaining our consistent three strategic priorities

Through building a strong and efficient business we are able to focus on providing experiences which our team and guests feel good about.

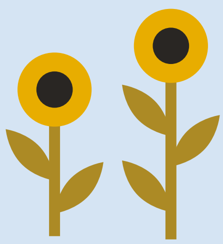
Our strategic priorities are the pillars which underpin the activity within the business to drive long-term sustainable growth and ultimately, which enable us to achieve our purpose to be the host of life's memorable moments, bringing people and communities together through great experiences. Through building a strong and efficient business we are able to focus on providing experiences which our team and guests feel good about, including processes which are sustainable and aim to bring people together throughout our supply chain. We have maintained consistency in our three strategic priorities over recent years and believe that continued focus in these areas is key to re-establish stability and growth in the business following a period of uncertainty. Our three strategic pillars are:

- Build a more balanced business
- Instil a more commercial culture
- Drive an innovation agenda

Focusing on these areas through our Ignite programme of work, a wide range of management improvement initiatives delivered significant progress, generating like-for-like sales[a] growth and sustained outperformance of the market before Covid-19 disrupted trade. Two waves of Ignite initiatives previously rolled out have directly led to enhanced performance over a number of areas, improving our trading levels and increasing profitability. Examples of these initiatives include deploying a sophisticated labour deployment tool, empowering all of our team members to upsell and improving our digital interactions with guests. Our focus on these key strategic areas was reflected in our strong trading performance when we again reopened in April 2021.

At the beginning of FY 2020 we developed a new wave of initiatives to form the third wave of Ignite. As a result of the Covid-19 pandemic, we had to delay the roll out of these initiatives as we focused on rebuilding trade and remaining flexible in the uncertain trading environment. Our short-term priority was to provide a safe environment for our guests and team members and to trade as effectively as possible as restrictions eased. Whilst safety remains a key priority, as trade began to stabilise towards the end of FY 2021, the Ignite programme was relaunched. We believe that our three strategic pillars remain the crucial elements of the business which will drive long-term growth. Through the Ignite workstream we will continue to unlock value in these areas enhancing our competitive position in the market.

"We have maintained consistency in our three strategic priorities over recent years and believe that continued focus in these areas is key to re-establish stability and growth in the business following a period of uncertainty."



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.

1. Build a more balanced business

- To effectively utilise our estate of largely freehold-backed properties
- To ensure we are exposed to the right market segments by having the optimal trading brand or concept in each outlet, based on location, site characteristics and local demographics
- To maintain the amenity level of the estate such that we operate safely, have the ability to reduce our impact on the environment and remain competitive to guests, alongside meeting cash flow commitments

FY 2021 progress

- Capital expenditure was significantly below historic levels as part of the cash management strategy in response to Covid-19, being limited to essential maintenance and infrastructure and the completion of committed acquisitions and outstanding remodels
- The investment programme remains a long-term priority area for the business

FY 2022 priorities

- The capital programme has resumed in FY 2022
- Focus on enhancing asset value through remodelling sites where we believe increased value can be unlocked
- Make further selective acquisitions where we feel they add value to the estate, and disposals where we feel we have extracted maximum value
- Honour the minimum maintenance spend as required by the securitisation structure and ensure effective allocation of capital
- Upgrade external trading areas to capitalise on outdoor drinking and dining

Sustainability

- Founding members of the Zero Carbon Forum which aims to develop a roadmap to Net Zero for the industry
- Identified opportunities to reduce our consumption of natural resources across the estate
- Reduce the environmental impact of our capital programme for example by reusing and repurposing kitchen equipment and furniture to reduce waste
- Increasing use of LED lighting across the business
- Electric vehicle charge points installed

Links to Key Risks 1, 2, 3, 8, 9, 11, 12, 13
See pages 32 to 39

Links to KPIs 2, 3, 4, 5
See pages 30 and 31

2. Instil a more commercial culture

- To empower teams across the business to make changes to facilitate sustainable growth
- To engage our teams in delivering outstanding guest experiences
- To act quickly and decisively to remain competitive in our fast-changing marketplace
- To provide training and development opportunities which allow our people to thrive within the business
- To enhance processes to address Modern Day Slavery threats in the supply chain

FY 2021 progress

- One of the greatest challenges of the year has been tackling the Covid-19 enforced closure in Winter 2020 and subsequent phased reopening under restrictions
- Our teams have adapted to the changing Covid-secure procedures required in our businesses and have worked hard to ensure that guests' experiences have not been negatively impacted whilst successfully managing safety
- In such a disrupted and challenging environment good cost control is essential and has been delivered by diligent management of each business
- Central procurement teams have worked successfully alongside suppliers to ensure sites were stocked optimally for reopening, leveraging and maintaining the strong supplier relationships which have already been established
- Successful rollout of auto-ordering for drink across the estate which has increased product availability
- The Live Data project was successfully completed under the Ignite programme delivering real time sales and stock information so our team can work more efficiently
- Continued progress on menu and product rationalisation resulted in further cost savings
- Successful trial of integrating complaints resolution into Reputation.com platform ensuring guest feedback is responded to swiftly
- Continued our work with Stop The Traffik to drive best practice in addressing Modern Day Slavery threats in the supply chain, including risk mapping and enhancing our reporting procedures

FY 2022 priorities

- Adapt to the changing environment within which we operate to maximise the profitability of each business
- Deliver a wide range of cost control initiatives across the estate under the Ignite programme
- Increase scope of fraud detection capability via IntelliQ and eliminate double discounting
- Grow the number of apprentices across the business
- Development and rollout of automated team member scheduling to ensure we have the right people on shift at the right time, to drive sales at peak and reduce costs at quieter times
- Increase average spend-per-head through tailored pricing, menu psychology and digital ordering
- Drive guest review scores higher through a number of projects within the Ignite programme, including focus on shift leadership, brand standards and guest recovery
- Rollout of auto-ordering for food which aims to increase product availability and reduce waste
- Continue to leverage scale through central procurement

Sustainability

- Digital platforms were used to communicate with employees during the Covid-19 closure periods and to ensure training on new safety procedures was completed by team members before they returned to work
- Apprentices were able to continue their learning through a remote learning platform throughout closure
- Reopening with simplified menus has helped to reduce food waste, which is one of our key sustainability priorities
- Enhanced processes to enable us to assess, identify and report instances of Modern Day Slavery through our work with Stop the Traffik, focusing primarily on the high-risk areas of the organisation and the supply chain

Links to Key Risks 1, 2, 3, 6, 8, 9, 11, 12, 13
See pages 32 to 39

Links to KPIs 1, 2, 3, 5
See pages 30 and 31

3. Drive an innovation agenda

- To ensure that our brands and formats remain fresh and relevant within their market segments
- To leverage the increasing role technology can play in improving efficiency and guest experience
- To execute a digital strategy to engage with consumers across a variety of platforms
- To facilitate new product and concept development
- To utilise our scale and position to lead on environmental issues which impact our sector, finding innovative solutions to pressing issues

FY 2021 progress

- Continued focus on developing our delivery offers with 767 sites live with one or more of Just Eat, Deliveroo and Uber Eats and the integration of delivery apps with our ePOS systems
- Click & Collect is now available widely across the estate
- Rapid response to changing Covid secure requirements including the effective roll out across all sites of safety protocols and clear communication with guests
- Our established mobile order and pay-at-table solution was rolled out to more brands and included numerous feature and user experience improvements
- Reduced system downtime through proactively identifying potential system failures with Dynatrace
- Completed a major project to rebuild the way product data is managed, giving us the ability to improve the way nutritional, dietary and allergen information is presented to our guests, especially on digital channels
- Founding members of Zero Carbon Forum bringing the hospitality sector together to map a path to net zero emissions

FY 2022 priorities

- Further expand our delivery offer to more sites and increase the number of channels available across the estate
- Trial 'Own Channel Delivery' whereby guests can order a meal for delivery through our own brand apps and the order is fulfilled by a third-party partner
- Continue to develop our order and pay-at-table technology with new features, user experience improvements and upselling opportunities
- Deliver enhancements to Customer Relationship Management including triggered push notifications to app users and greater personalisation of e-mail content
- A more sophisticated utilisation of booking systems to improve table yield
- The introduction of 'My Account' functionality across all our digital channels that enables guests to manage their bookings, orders, loyalty and marketing preferences in one place
- Continue to evolve and develop all of our brands and concepts to ensure that they stay relevant to guest needs
- Working with World Resources Institute to develop ways to reduce the emissions of the ingredients on our menus

Sustainability

- Finding innovative ways to reduce our energy consumption to contribute to our carbon emission reduction, with energy ambassadors in place to support every pub and restaurant across the estate
- Evolving our menus to reduce the carbon impact of our food supply
- Empowering managers to make sustainable choices within their businesses
- Collaborating with suppliers to enhance the sustainability credentials of their products and services to align with our ambitions
- Working with partners to access best practice across sustainability priorities and contributing to collaborative industry groups to share experiences
- Supporting businesses looking to find sustainable solutions relevant to our industry

Links to Key Risks 1, 2, 4, 5, 8, 11, 12, 13
See pages 32 to 39

Links to KPIs 2, 3, 5
See pages 30 and 31

Our sustainability targets

Our strategy has been developed to align with the issues addressed by the UN SDGs

Our strategy aims to deliver long-term sustainable shareholder value through organic and sustainable growth.

Operating the business in a sustainable way underpins our strategic priorities and is a part of the way we want to do business. We have purposefully interlinked sustainability into our strategic priorities so that it becomes part of our culture. Our strategy has been developed to align with the issues addressed by the UN Sustainable Development Goals and we have committed to reducing the negative impact of our business model on the environment in light of these objectives.

Through a materiality assessment we have identified the UN Sustainability Development Goals which we believe we can have the greatest impact on and have aligned these to our strategic pillars as shown on the facing page. For each of the pillars we have defined our objective, key actions and targets. We work closely with the Sustainable Restaurant Association and industry groups to share best practice and learning to move the industry forward as a whole.

Our targets

1. Greenhouse gas emissions

-25%

Target Reduce greenhouse gas emissions by 25% by FY 2030 (measured as GHGe/meal, including Scope 1, 2 and 3 emissions) from our FY 2019 baseline.

Performance Our Scope 1, 2 and 3 greenhouse gas emissions have decreased by 68% against our FY 2019 baseline. The reduction is primarily due to closure in the period and is not reflective of expected ongoing levels of emissions now that our pubs and restaurants have reopened. Details of the breakdown of our emissions and opportunities for reduction can be found on pages 58 to 60.

Total Scope 1 and 2 emissions reduced by 25% in the year. Scope 1 emissions include direct emissions from controlled or owned resources and Scope 2 emissions include indirect emissions from the generation of purchased electricity, heating and cooling. The reduction of Scope 1 and 2 emissions is due to mandated closure of our estate in the period in response to Covid-19 and therefore does not contribute towards our long-term ambition to reduce the overall emissions of the business. However, as part of our roadmap to emissions reduction we do have energy consumption reduction initiatives live in the business. For example, energy ambassadors are in place in each geographical cluster of sites helping managers to understand and identify opportunities to reduce energy consumption. Meanwhile we are reviewing opportunities to invest in more efficient equipment and technology.

Our Scope 3 emissions include all other indirect emissions that occur in our value chain, these include food and drinks purchased, guest travel, employee travel, our capital programme, logistics, other purchases and waste generated in operations. As a founding member of the Zero Carbon Forum the business is developing a roadmap to achieve net zero emissions. Opportunities to reduce Scope 3 emissions are currently being investigated; there are many areas of opportunity for reduction and these include reducing the emissions of the ingredients of our menus through the Cool Food Pledge, and by working with suppliers to reduce the emissions of input products and the delivery network.

2. Food waste

-20%

Target Reduce food waste by 20% by FY 2025 from our FY 2019 baseline.

Performance The requirement for a reduced number of menu items on reopening following the Covid-19 related closure has resulted in a reduction in food waste. However, our plans to tackle food waste within our sites, following the Wrap UK roadmap, have been delayed due to closure.

We plan to restart this initiative in FY 2022.

All of the food waste from our pubs and restaurants is sent to anaerobic digestion. The digestion process itself creates biogas which is then captured and used to generate electricity.

3. Recycling

80%

Target Increase proportion of waste recycled to 80% by FY 2025.

Performance Due to the impacts of Covid-19, with estate closure and reopening, the recycling rate at the end of the financial year was 53.5%. In addition, 2,085 tonnes of used cooking oil were recycled. Initiatives are now underway across our businesses and in partnership with our waste management provider, Biffa, to improve our recycling rate. We are also working with suppliers to reduce the amount of packaging entering our businesses and ensuring that the materials used are recyclable.

Sustainability strategic pillars

1. Sourcing

Objective

Reduce the negative impact of our food and drink supply chain on greenhouse gas emissions, biodiversity and deforestation

Key actions

- Participation in the World Resources Institute's Cool Food Pledge initiative which aims to reduce emissions of food supply chain with trials in two brands to begin in FY 2022
- BBFAW tier 2 rating maintained and remains a key focus
- Supplier agreements set out sustainability expectations and standards supported by annual supplier conferences
- All direct palm oil from RFA approved sources, working with supplier on embedded soy

UN Sustainable Goal alignment

2. Community

Objective

Increase the positive effect on people impacted by the business, be they employees, guests or the wider community

Key actions

- Strategic partnerships with charities developed, including Shelter, Mind and Social Bite
- Enhanced employee wellbeing strategy and improved resources and tools available to employees
- Brand-driven relationships with local organisations and charities
- Modern Day Slavery policies enhanced following review performed by Stop the Traffik

UN Sustainable Goal alignment

3. Resources

Objective

Reduce the use of natural resources and find opportunities to contribute to the development of a circular economy

Key actions

- Founding member of the Zero Carbon Forum which aims to develop a roadmap for hospitality to achieve net zero emissions by 2040
- Greenhouse gas emission baseline completed on FY 2019, including Scope 1, 2 and 3 emissions
- Strategic initiatives to reduce greenhouse gas emissions as part of Ignite 3 programme
- Focus on reducing waste and increasing rate of recycling
- Identification of opportunities within the capital programme to enhance sustainability of buildings

UN Sustainable Goal alignment

Greenhouse gas footprint

Target: reduce greenhouse gas emissions by 25% by FY 2030

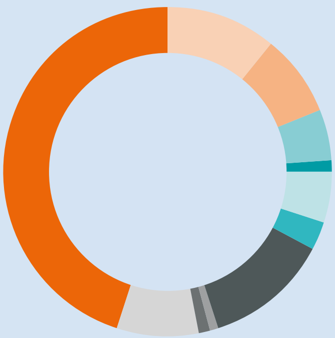
The challenge to reduce greenhouse gas emissions is central to our sustainability strategy and remains a priority for the business. The Board is actively involved and supportive of these ambitions and influences the strategy directly through the Corporate Responsibility Committee. We are building measurable, data-led initiatives to achieve our target reduction, allowing us to clearly understand our progress. We continue to consult with third parties to measure our emissions footprint and to explore opportunities for reduction. We are also a founding member of the Zero Carbon Forum, bringing the hospitality sector together to share best practice, tackle group challenges and to develop a roadmap of reduction for the sector.

Our current target is to reduce our greenhouse gas emissions by 25% by FY 2030, measuring Scope 1, 2 and 3 gases and using FY 2019 as a baseline. Greenhouse gas emissions in the year reduced by 68% against the FY 2019 baseline, primarily reflecting the periods of closure during the year.

We are working hard to reduce our Scope 1 and 2 emissions by lowering the consumption of energy within our businesses and by developing a programme of investment to enhance the efficiency of our buildings and equipment. In addition to focusing on reducing our energy consumption we have worked with our energy providers to ensure that 100% of the energy we use is generated from renewable sources.

Our food purchases represent the largest single contributor to our emissions footprint and capture the emissions generated in the production of the ingredients we use in our menus. This is typical of a restaurant or catering company and reinforces the importance of understanding the food we serve to our guests and the impact that has on the environment. We are working with the World Resources Institute on the Cool Food Pledge programme to develop a roadmap to achieve a significant reduction in the emissions generated by the food we serve. The emissions reduction plan will be designed to lessen the negative impact food production has on biodiversity and maintaining high standards of animal welfare.

Greenhouse gas emissions FY 2021 (Scope 1, 2 & 3)



- Food 45%
- Gas 11%
- Electricity 8%
- Purchased goods and services 5%
- Capital goods 1%
- Fuel and energy related activities 5%
- Employee commuting 3%
- Downstream transportation and distribution 12%
- Logistics supply chain 1%
- Waste generated in operations 1%
- Drinks 8%

Our business model

The Mitchells & Butlers difference

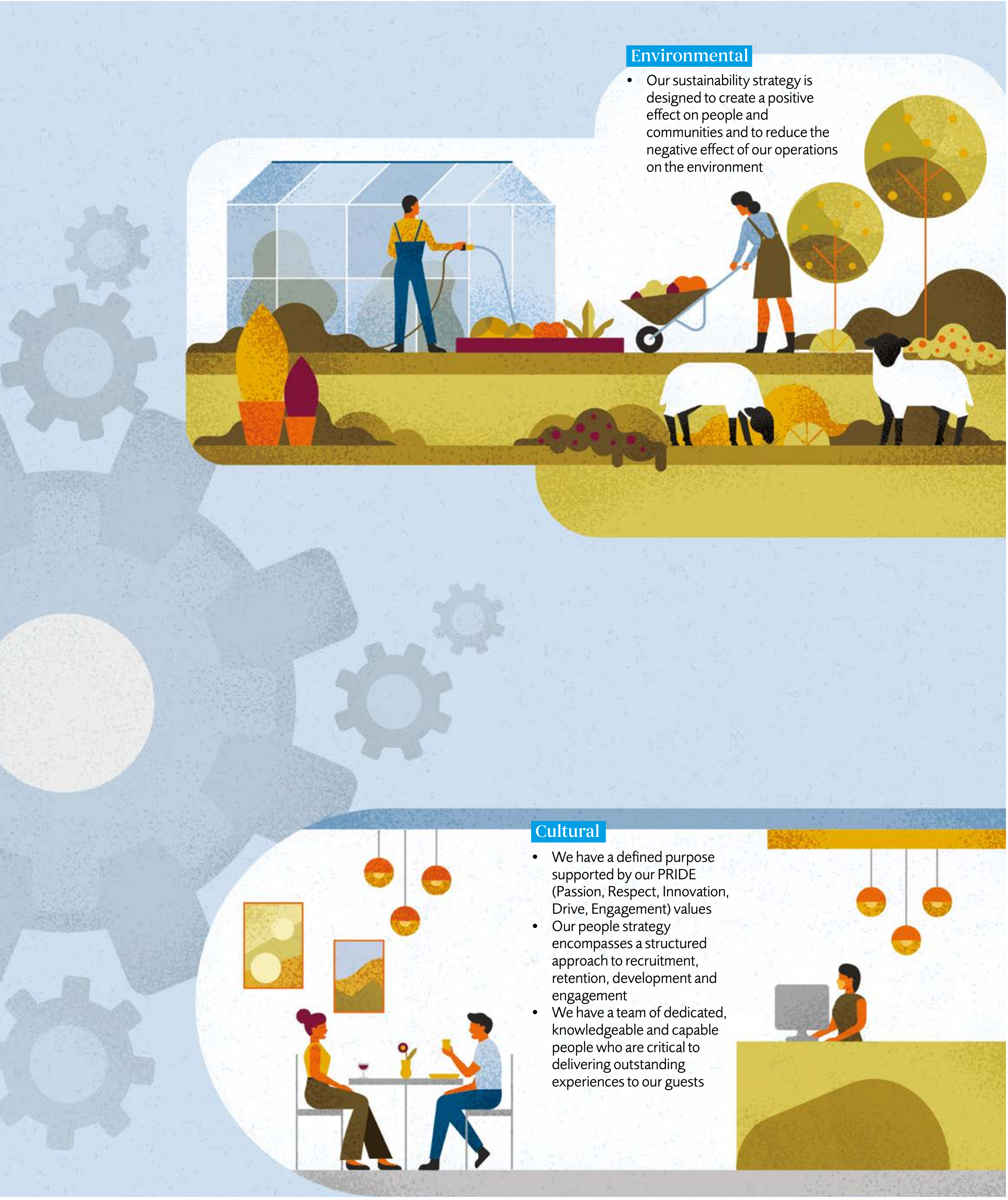
In this section, we outline the distinctive characteristics of Mitchells & Butlers that enable it to create value for its stakeholders – be they financial, structural, environmental or cultural.

Financial

- Long-term transfer of value to equity as debt is paid down
- Strategy designed to generate sustainable growth and to provide flexibility in uncertain trading environments

Structural

- We have a diversified portfolio of leading brands and offers
- We are a predominantly freehold business with well-invested properties
- As one of the leading operators we benefit from economies of scale driven by our central functions
- We understand our guests and have the systems in place to receive and react to their changing needs to evolve our offers



Environmental

- Our sustainability strategy is designed to create a positive effect on people and communities and to reduce the negative effect of our operations on the environment

Cultural

- We have a defined purpose supported by our PRIDE (Passion, Respect, Innovation, Drive, Engagement) values
- Our people strategy encompasses a structured approach to recruitment, retention, development and engagement
- We have a team of dedicated, knowledgeable and capable people who are critical to delivering outstanding experiences to our guests

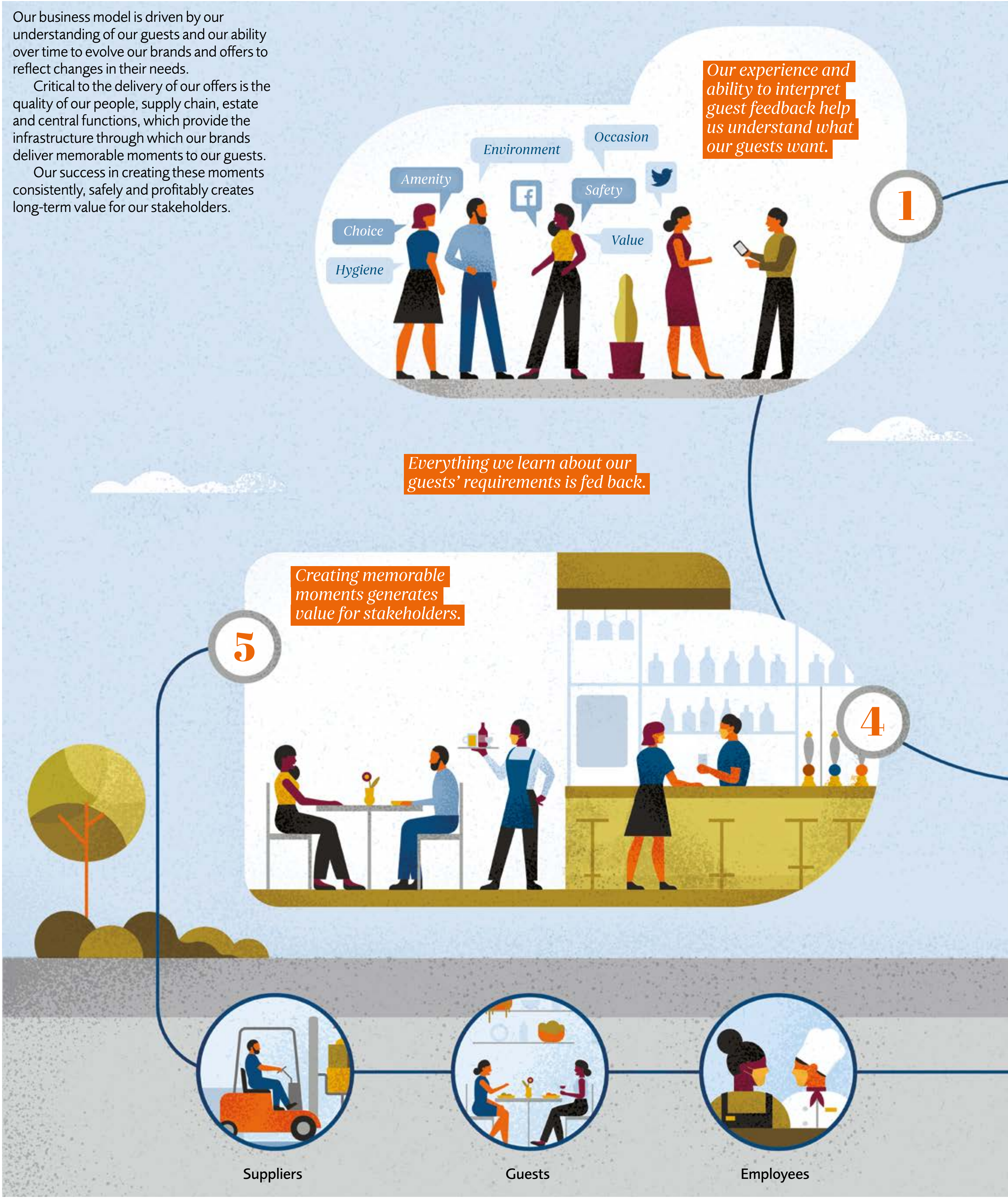
Our business model continued

How we create value

Our business model is driven by our understanding of our guests and our ability over time to evolve our brands and offers to reflect changes in their needs.

Critical to the delivery of our offers is the quality of our people, supply chain, estate and central functions, which provide the infrastructure through which our brands deliver memorable moments to our guests.

Our success in creating these moments consistently, safely and profitably creates long-term value for our stakeholders.



2

Understanding what our guests want influences every element of our brands and offers.

3

Everything we do is...

Run by our people...

43,354*

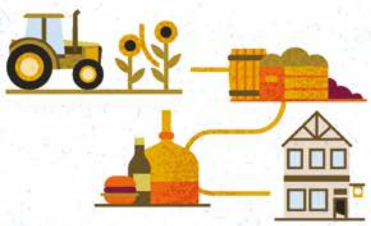
employees

* As at 25 September 2021.

Supplied by our supply chain...

1,645

suppliers



Realised within our estate...

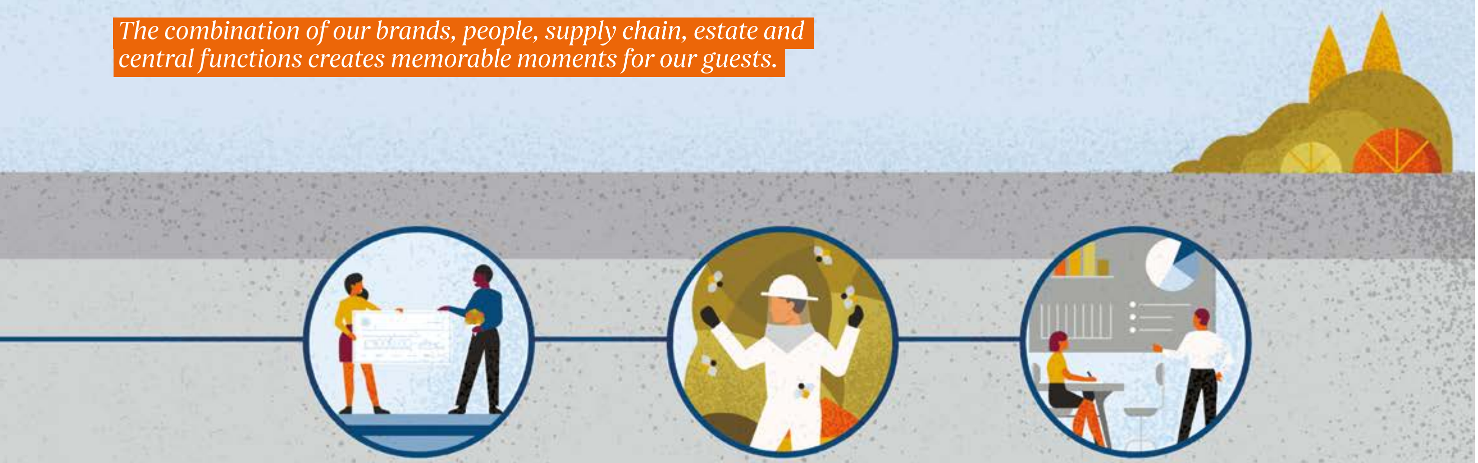
1,732

pubs, bars and restaurants

Supported and managed by our central functions...

Finance and Technology, Human Resources, Legal and Risk, Marketing, Procurement and Property

The combination of our brands, people, supply chain, estate and central functions creates memorable moments for our guests.



Local community

Environment

Investors

Value creation story
FY 2021 highlights

Suppliers

Achieved tier 2 Business Benchmark on Farm Animal Welfare rating

Worked closely with suppliers through the pandemic closure and reopening to ensure businesses reopened with sufficient stock levels at relatively short notice

Minimised waste in the supply chain from initial closure of the business due to Covid-19 through our partnership with FareShare

Our suppliers provide the products which bring our brand visions to life. Our guests' tastes are continuously evolving and our ability to meet changing preferences at scale sets us apart from our competitors.

We build long-term and collaborative partnerships with our suppliers and it is thanks to these relationships that we were able to successfully reopen the majority of the estate following the various Covid-19 closures with minimal stock issues. Through these long-term partnerships, we work to maintain transparency about our payment terms. We worked closely with suppliers during the closures and subsequent reopenings to ensure the needs of both businesses were met as far as possible and to ensure relationships were maintained. By working together, we can develop new and innovative products with suppliers which help our brands adapt and evolve, building both of our businesses.

We work with suppliers to understand the environmental impact of our supply chain and work together to minimise the negative impact of production and transportation. We are working to ensure that all of our suppliers can support our sustainability ambitions, including prioritising high animal welfare standards.

Guests

Industry leading safety scores

4+

online review score of over 4 out of 5 across the business

Average online review scores increased after reopening following initial Covid-19 closure

The satisfaction and enjoyment of our guests is critical to the success of our business. We always aim to exceed guests' expectations and continually evolve our offers with that objective in mind.

We collate guest feedback through online channels and via our brand surveys which is collated centrally and used to provide valuable insight to both our operations and brand marketing teams.

As the Covid-19 pandemic has unfolded our ability to provide a safe environment has become more important than ever. We have always strived to achieve the highest safety and hygiene standards and have used this strong base to evolve our ways of working for the new challenges we face. We focus on ensuring high-quality, consistent practices across the business. In the current environment this has been achieved through detailed Covid-secure brand guidelines being developed centrally with brand input and clearly communicated to teams so that expectations are clear. We constantly review the new procedures to ensure that both high safety levels and guest satisfaction can be achieved.

As ever, high-quality food and drink, served by an engaged team, in an appealing environment remain key elements to providing our guests with memorable experiences, alongside the highest safety standards. We continually assess changing guest preferences across these areas to position our brands for success.

Employees

M&Be Together is an online community bringing together employees across the Company

M&Be Borrowed developed a way to offer a return to work in neighbouring sites for furloughed employees whose 'home' site was closed due to Covid-19

Personal development and training opportunities during closure through our digital learning platform

Digital learning platform facilitates efficient update of guidelines as needed

Wellbeing support provided throughout

The following table sets out our diversity balance between men and women at the end of FY 2021.

	Men	Women
Directors	7	2
Other senior managers	29	14
All employees	**20,118**	**23,236**

Our people are central to our business, bringing brand visions to life through engaging interaction with our guests and preparation of high-quality food and drink.

Through our open and inclusive culture, we aim to create an environment which allows our people to develop and thrive. We are proud of the training and development opportunities we offer and strive to provide progression opportunities to all of our people.

We have two formal feedback surveys a year providing the opportunity to gain insight into employee satisfaction and to highlight opportunities to improve our offer as an employer.

One-to-one manager reviews take place twice a year where clear objectives are set and reviewed.

Employee forums are hosted by the Executive team and are open to all employees, giving them the opportunity to directly discuss any issues.

The welfare of our employees is of paramount importance to us and we continually review the support we offer to employees across the business. Covid-19 has brought this even further to the fore and we have been proud of the quick response we were able to make to the pandemic in order to keep our people safe. Clear and consistent communication has been key throughout the pandemic developments to ensure the Company remains united and informed. The ongoing wellbeing of employees remains a primary focus of the Company as we continue to navigate through the challenges the pandemic presents.

Dave Coplin, an independent Non-Executive Director, is the nominated Board member responsible for representing the employee voice at Board level.

We are committed to providing equal opportunities for all of our employees. Our employee Diversity and Inclusion Policy ensures that every employee, without exception, is treated equally and fairly and that all of our employees are aware of their responsibilities.

Value creation story continued

Local community

Providing a safe environment for communities to come together during the Covid-19 pandemic

£210m

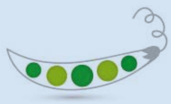
of Government support for employees through furlough grants during the period

£57m

Tax paid (not including tax collected, e.g. VAT)

#5

Harvester awarded No.5 in Out to Lunch rankings by The Soil Association



Pledge to the Peas Please campaign

Developed a nutritional roadmap focused on enhanced information and balanced choices

We have a long history of providing a central hub to many communities where people have met and socialised for decades. We are proud of our position in local communities and have been pleased to be able to re-establish this service following enforced Covid-19 closures. It was encouraging to see that the pub was one of the most missed meeting places during the first lockdown and that encourages us further to ensure we maintain the prominence of pubs and restaurants within the local community and continue to serve as a place to bring people together.

Many of our brands are long-standing supporters of causes which resonate with the brand and its guests. For example, All Bar One supports Shelter with selected dishes including a donation, Toby Carvery supports the Armed Forces and Nicholson's supports the Royal National Lifeboat Institution.

We are actively looking to enhance the positive impact we can have on local communities, including supporting charities, providing career opportunities, encouraging responsible drinking, and supporting health by enhancing and providing information on the nutritional content of our meals.

Environment

RAINFOREST ALLIANCE

All direct palm oil purchases continue to be sourced from Rainforest Alliance approved suppliers

107,000

Food which would otherwise be wasted equivalent to 107,000 tonnes redistributed through partnership with FareShare

Harvester and All Bar One part of the Cool Food Pledge, trialling methods to reduce carbon emissions of menus

Founding member of the Zero Carbon Forum

The natural environment provides the business with the resources it needs to operate. We take our responsibility to protect that environment seriously and, therefore, last year we reviewed our sustainability strategy and set stretching targets to reduce the negative impact of our business.

We have aligned our objectives with the UN Sustainable Development Goals in order to focus our efforts on the global priorities. Our aim is to embed a sustainable way of doing business within our current operations such that it becomes business as usual and we are doing that through a Board-level committee, steering committee and focused workstreams with representatives from across the business.

The food industry has an important part to play in climate change, as food supply chains are a significant factor in rising greenhouse gas emissions and in the reduction of biodiversity. We have measured our baseline emissions and have used this to create a roadmap for reduction which is one of our priority areas. We are also conscious of the food industry's significant impact on biodiversity which is another area we are balancing within our future plans to reduce the negative impact our organisation has on the environment and to enhance the positive outcomes wherever possible.

Investors

Strong stewardship through the Covid-19 pandemic

Equity raise gave strength to balance sheet

Clear communication maintained with investors through additional statements and one-to-one meetings

Reporting on Environmental, Social and Governance issues enhanced

Our investors are made up of our shareholders and bondholders who play an important role in monitoring and safeguarding the governance of the Company.

We aim to demonstrate the responsible stewardship of the Company from a financial, strategic, governance, environmental and ethical perspective. We have a highly effective Board, with Directors with various specialisms and backgrounds to best govern the Company. During the Covid-19 pandemic the Board has been actively involved in all areas of decision-making, including the reopening strategy, communications, operational practices and the financing strategy.

We maintain an open dialogue through our investor relations programme. We update investors and bond holders on financial and strategic performance through regular performance updates and facilitate discussion through meetings, roadshows and our Annual General Meeting.

Board-level committees ensure that appropriate time and focus is allocated to the key areas of governance of the business and, where necessary, expert third parties are consulted. The Board provides a healthy level of challenge and debate on key areas and has been successful in moving the business forward and in navigating the challenges of Covid-19.

The Executive Committee consists of members of management from across the business who have a wealth of experience both within the hospitality industry and from other sectors.

It is important that our investors have transparency over the operation of our business and the full details of our governance procedures are set out on pages 62 to 74.

Key performance indicators

Measuring performance

We measure our performance against our strategy through five key performance indicators.

1. Staff turnover

Definition

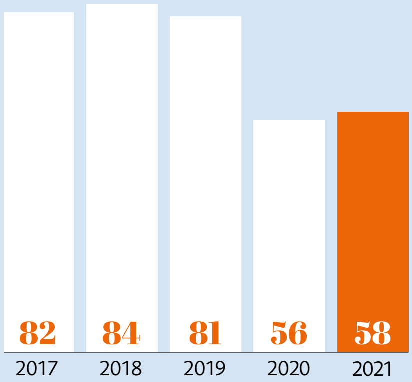
The number of leavers in our retail businesses, expressed as a percentage of the average number of retail employees. This like-for-like measure excludes site management. The turnover measurement gives an indication of the retention of retail staff and can help to identify if there is an arising retention issue in any area of the business which could highlight an engagement issue. In addition, as team members go through a thorough induction and training process there is an element of cost for each person who leaves the business. Therefore it is important for the Board to monitor this measure.

FY 2021 performance

Retail staff turnover was 23 percentage points lower than FY 2019, the last year pre-Covid-19, due to the impact Covid-19 has had on the normal course of business. The number of leavers has been suppressed due to closure and Government support, such as the furlough scheme. The score was largely in line with FY 2020 which was also impacted by Covid-19.

We will continue to focus on supporting our people as trade recovers from the uncertain environment we have been operating in and expect turnover inevitably to rise back to pre-pandemic levels.

58%



Links to strategic priorities: 2
See pages 18 and 19

2. Net promoter score

Definition

For several years, Mitchells & Butlers, along with many other hospitality businesses and other retail businesses, has used Net Promoter Score (NPS) as a measure of guest satisfaction with the experience it provides and has reported NPS in its Annual Report.

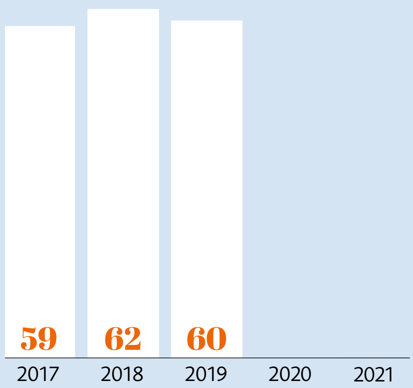
The net promoter score for a site is defined as the percentage of responses where we score 9 or 10 out of 10, less the percentage of responses where we score 0 to 6 out of 10, based on the question "how likely are you to recommend this site to a friend and/or relative?".

NPS is derived from surveys which we ask guests to complete following a visit to one of our outlets. However, in recent years, these surveys have been increasingly superseded by guest reviews posted on Google, Facebook, Tripadvisor and other review sites. In recognition of this trend, we have decided to change our reported guest measure to a blended review score with effect from the end of FY 2022.

FY 2021 performance

Net promoter score is measured through responses to site specific surveys. As in FY 2020, these surveys were switched off during the closure period and subsequent reopening. Therefore, we are not able to calculate the period end score.

However, our average feedback score across all major feedback channels increased +0.1 to 4.3 out of 5 for FY 2021.



Links to strategic priorities: 1, 2 and 3
See pages 18 and 19

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.

3. Year-on-year same outlet like-for-like-sales[a]

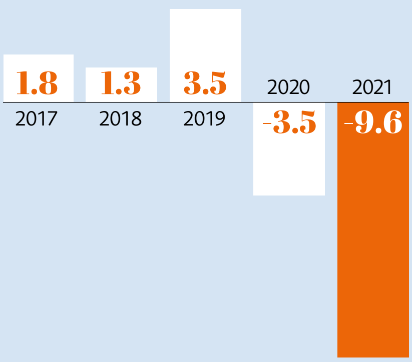
Definition

The sales this year compared to the sales in FY 2019, being the last full year pre-Covid-19, of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. Like-for-like sales is an important indicator of how the business is performing in the context of its previous performance, the long-term trend of which can reflect improvements in guest appeal.

FY 2021 performance

Like-for-like sales declined by 9.6% in FY 2021 vs. FY 2019. This deterioration in trend against previous years is due to the impacts of Covid-19 including capacity restrictions and reduced consumer confidence.

-9.6%



Links to strategic priorities: 1, 2 and 3
See pages 18 and 19

4. Incremental return on expansionary capital[a]

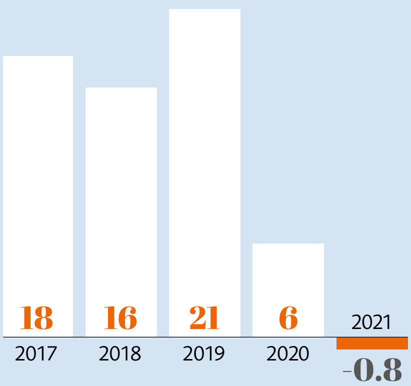
Definition

Expansionary capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital. Is it important for the Board to monitor return on investment as it indicates the success of the capital programme which underpins one of our three key strategic pillars, to build a balanced business.

FY 2021 performance

The EBITDA return on all conversion and acquisition capital invested in FY 2021 was -0.8%. The measure is significantly impacted by closure periods and reduced trading levels, because of the impact of Covid-19 during the period, and therefore is not indicative of the quality or future potential performance of invested sites. Our capital programme continues to be a key focus of the business and one which we believe will deliver future value.

-0.8%



Links to strategic priorities: 1
See pages 18 and 19

5. Adjusted operating profit[a]

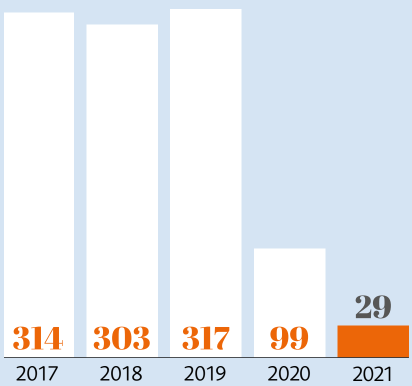
Definition

Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately disclosed by virtue of their size or incidence. Excluding these items allows a better understanding of the trading of the Group. The Board monitors adjusted operating profit as one of the financial health indicators, as it helps to reveal how efficiently the business is being operated.

FY 2021 performance

Adjusted operating profit for the year of £29m was 70.7% lower than the prior year. This reduction in profit is due to the impacts of Covid-19 during the period, including closure and reduced trading levels partially offset by Government support schemes.

£29m



Links to strategic priorities: 1, 2 and 3
See pages 18 and 19

Risks and uncertainties

Keeping risk under control

This section highlights the principal risks and uncertainties that affect the Company, together with the key mitigating activities in place to manage those risks.

This does not represent a comprehensive list of all of the risks that the Company faces but focuses on those that are currently considered to be most relevant.

Overview

Risk management is critical to the proper discharge of our corporate responsibilities and to the delivery of shareholder value. Risk is at the heart of everything we do as an organisation. Therefore, the process for identifying and assessing risks and opportunities for improvements is an integral and inseparable part of the management skills and processes which are at the core of our business.

There is a formally established Risk Committee in place which continues to meet on a regular basis to review both the key risks and emerging risks facing the business.

Key risks identified are reviewed and assessed by the Risk Committee in terms of their likelihood and impact and recorded on the Group's 'Key Risk Heat Map', in conjunction with associated agreed risk mitigation plans. The processes that are used to identify emerging risks and manage known risks are described in the Internal Control and Risk Management statement on pages 73 and 74.

Management support, involvement and enforcement is fundamental to the success of our risk management framework and members of the Executive Committee take responsibility for the management of the specific risks associated with their function. Our Group risk register clearly outlines the alignment of each key risk to an Executive Committee member and identifies an 'action owner', to ensure responsibilities are formally aligned.

Risks presented to the Group, including those arising as a result of Covid-19, have been subject to regular review and scrutiny by the Executive Committee and the Covid-19 Steering Committee. Mitigation plans were put in place for all key risks. More details of these governance arrangements are set out on pages 62 to 74.

The Risk Committee, and the Board, followed and monitored the political developments and negotiations for the relationship which the UK now has with the EU at the end of the transition period, following the UK's departure from the EU at the end of January 2021 (and also kept under review the developments arising from the UK's exit from the EU during the rest of the period). In preparation for these events, the Company had already developed plans to mitigate any impact that might arise at the end of that transition period. Those plans were reviewed and approved by the Risk Committee and agreed and adopted by the Board. As the circumstances which apply following the UK's exit from the EU at the end of the transition period have evolved over the period, those mitigation plans and the extent to which they are required to be implemented remain under ongoing review.

There is a robust and transparent process in place to provide an appropriate level of direction and support in the identification, assessment and management of risks across all areas of the business which have the potential to seriously damage our financial position, our shareholder value, our responsibilities to our staff and guests, our reputation and our relationships with key stakeholders.

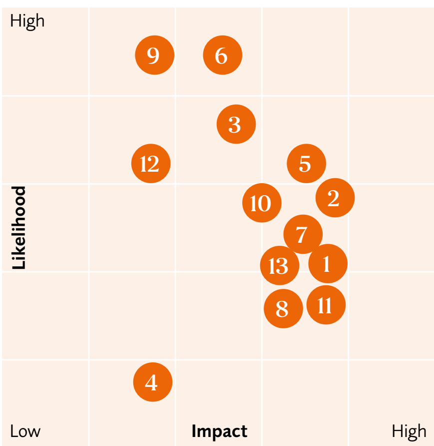
Key Risk Heat Map

The risk matrix below includes an indication of the likelihood of a 'risk event' occurring in relation to each of the principal risks and the expected magnitude of the impact of each such event.

Key Risk Heat Map

Risk event

1. Borrowing covenants
2. Declining sales performance
3. People planning and development
4. Business continuity and crisis management
5. Information and cyber security
6. Wage cost inflation
7. Pension fund deficit
8. Failure to operate safely and legally
9. Cost of goods – price increases
10. Food supply chain safety
11. Health and lifestyle concerns
12. Environment and sustainability
13. Enforced Government closure/trading restrictions



Our three lines of defence

1st	• Executive Committee • Leadership group/management • Internal controls and processes • Internal policies and procedures • Training
2nd	• Financial authority limits • Risk Management processes • Audit Committee • Risk Committee • Covid-19 Steering Committee • Health and Safety Team • Technology specialists • Legal support
3rd	• Group Assurance • Operational Practices Team

Risk category and description	*Controls/mitigating activities*	*Movement*
1. Borrowing covenants There are risks that borrowing covenants are breached because of circumstances such as: i. The continuation of disruption due to the Covid-19 pandemic; ii. A change in the economic climate leading to reduced cash net inflows; or iii. A material change in the valuation of the property portfolio. **Risk Stable** Following the equity raise in March 2021, covenant waivers remain in place, which has meant the overall risk is reduced. However, this needs to be balanced against potential for further lockdowns/restrictions, so on balance, is assessed as 'Stable'.	• The Company maintains headroom against the covenants. The finance team conducts daily cash forecasting with periodic reviews at the Treasury Committee, the role of which includes ensuring that the Board Treasury Policy is adhered to, monitoring its operation and agreeing appropriate strategies for recommendation to the Board. • In addition, regular forecasting and testing of covenant compliance is performed. • A detailed assessment of the mitigating risks are included in the long-term viability statement. • We have taken measures to protect the financial health of the business whilst operating at reduced capacity and continue to closely manage the cash position of the Group. • In March 2021, we agreed the waivers required to ensure we would remain compliant with all covenant requirements (please refer to the Corporate Viability Disclosure on page 40).	**Risk Stable**
2. Declining sales performance This risk falls into the below main categories: **Sales:** There is a risk that declining sales, concerns around consumer confidence, increased personal debt levels, squeezes on disposable income and rising inflation individually, together or in combination, may adversely affect our market share and profitability, reducing headroom against securitisation tests. **Consumer and market insight:** If Mitchells & Butlers fails to manage and develop its existing (and new) brands in line with consumer needs and market trends due to failure to obtain or use sufficient insight in a timely manner, this may lead to a decline in revenues and profits. **Pricing and market changes:** If price changes are not intelligently applied due to a lack of appreciation of market sensitivities and elasticities, this may result in decreased revenue and profit. **Consumer behaviour as a result of Covid-19:** With the reopening of pubs and restaurants, consumers may have a different mindset to eating out, with health and safety at the forefront of priorities. Guests may want greater insight into practices, and food supply chain information to feel confident in their eating out experience. **Risk Increasing** Overall risk is increasing due to the potential decline in sales following the Covid-19 pandemic.	• Right operational and commercial team and structure in place. Brand alignment ensures the right research is done and is acted upon. • Daily, weekly and periodic sales reporting, monitoring and scrutiny activity is in place. • During the period of disruption caused by the Covid-19 pandemic, a steering committee met at least weekly and more frequently as needed to ensure appropriately diligent supervision, monitoring and management of controls and risks. • Our Eat Drink Share panel provides robust, quick and cost-effective research. This is our own panel of 27,000 Mitchells & Butlers guests whom we can use for research purposes for quick and cost-effective insights. • Primary research in partnership with brand/category teams. • Working with suppliers to tap into their research. • Each brand has its own pricing strategy. • Price promotions are in line with the agreed strategy. • Sales training for management. • Consumer/insight-led innovation process and development for new brands. • Reduce guest complaints by improving the local management of social media responses (e.g. Tripadvisor responses). • Increased digital marketing activity including new loyalty apps. • Increased activity from takeaway and delivery offerings. • Online guest satisfaction survey to collect guest feedback. This feedback, together with the results of research studies, is monitored and evaluated by a dedicated guest insight team to ensure that the relevance to guests of the Company's brands is maintained. • Our priority is to continue to protect our team members and guests, providing an eating-out experience which can be enjoyed. We have very strong health and safety practices already in place in our businesses, which we will enhance and evolve to tackle the challenges we face. We will be transparent with guests as to these measures such that they can trust in us and will clearly communicate our expectations of guests to comply with the measures put in place. • Measures are in place to ensure that the business continues to respond to guest requirements post the pandemic. • Although now ceased, during FY 2021, the Government financial assistance, such as furlough payments in respect of employee costs, business rates suspension and reduction of VAT, assisted to address the decline in revenue.	**Risk Increasing**

Risks and uncertainties *continued*

Risk category and description	*Controls/mitigating activities*	*Movement*
3. People planning and development Mitchells & Butlers has a strong guest focus and so it is important that it is able to attract, retain, develop and motivate the best people with the right capabilities throughout the organisation. There is a risk that, without the right people, our guest service levels would be affected. Prior to Covid-19, the external pipeline for high potential talent, particularly in senior roles, and digital, was tightening due to the rise in opportunity in a growing and competitive marketplace. Post-Covid-19, external recruitment activity over the previous year is challenging due to quality candidates being reluctant to move in the current climate. A further potential risk is the image of hospitality, given the recent pandemic impact. Retention is high amongst our director and 'head of' populations which may lead to a perceived lack of progression routes and hence unwanted loss of good talent at lower levels. Regarding retail labour, overall, there is a continued risk of a lack of quality of internal/external pipeline for key roles resulting in open vacancies or poor-quality appointments, leading to poor performance, reduced quality of service and loss of sales. There is a previous lack of consistent skills training affecting guest satisfaction and employee engagement and retention. Despite Covid-19 and the high level of redundancies in the UK, this still remains a risk mainly driven by the declining number of non-UK applicants following the UK's departure from the EU and the restrictions which some non-UK employees have faced in moving to the UK to work as a result of the pandemic control measures such as travel restrictions and border controls. Kitchen Manager attraction and attrition continues to be the role with the highest concern, particularly given the declining non-UK applicants, decrease in internal progression and increase in turnover which is influencing the overall risk rating. Wage pressure (over 25s) remains an issue, as competition for labour increases. **Risk increasing** There has been a loss of EU workers within the Group, particularly in London and the South East. Therefore, the overall risk is increasing following the UK's departure from the EU. Restrictions on the movement of labour have had a material impact on both the cost of labour and access to talent.	• The Company makes significant investment in training to ensure that its people have the right skills to perform their jobs successfully. • Furthermore, an employee survey is conducted annually to establish employee satisfaction and engagement, and this is compared with other companies, as well as previous surveys. Where appropriate, changes in working practices are made in response to the findings of these surveys. • Remuneration packages are benchmarked to ensure that they remain competitive, and a talent review process is used to provide structured succession planning. • The apprenticeship programme will also assist in mitigating against the increasing risk in relation to non-UK workers. • A new talent management system has been sourced. • In compliance with the furlough scheme, we were able to continue employee training so that staff were fully trained on new ways of working for our reopening.	**Risk Increasing** ↗ (Specifically in London/South East)

Risk category and description	*Controls/mitigating activities*	*Movement*
4. Business continuity and crisis management Mitchells & Butlers relies on its food and drink supply chain and the key IT systems underlying the business to serve its guests efficiently and effectively. Supply chain interruption, IT system failure or crises such as terrorist activity or the threat of a further disease pandemic might restrict sales or reduce operational effectiveness. **Risk Stable** Staff have the resources and ability to work remotely rather than rely on access to the Retail Support Centre.	• The Company has in place crisis and continuity plans that are tested and refreshed regularly. • Following Covid-19, new ways of working are in place for all Retail Support Centre staff when the office is temporarily closed to employees. Positively, all staff have the appropriate resources available to them in order to work remotely and in an efficient manner. • We have assessed the risks associated with remote working and cyber security and are confident that those areas are suitably controlled.	**Risk Stable**
5. Information and cyber security There is a risk that inadequate disaster recovery plans and information security processes are in place to mitigate against a system outage, or failure to ensure appropriate back-up facilities (covering key business systems and the recovery of critical data) and loss of sensitive data. Given the increase in the level and frequency of global cyber attacks, the likelihood of occurrence is therefore increasing, although current IT controls and monitoring tools are robust. Risk of non-compliance with data protection laws is an increasing risk for the business to ensure full compliance remains up to date. **Risk Increasing** The increased activity, information security and reliance on IT systems continues to be a key focus to ensure critical IT systems are kept secure and tested frequently and any vulnerabilities identified are closed out efficiently.	• A detailed external review of cyber security processes is performed on a regular basis in order to highlight any gaps and address any challenges. As a result, a number of further improvements have been made (and continue to be made) to strengthen overall cyber security controls. • In addition, controls include: – The work carried out by the Group's cross-functional Information Security Steering Group. – Group Assurance IT controls reviews. – Implementation and revision of appropriate cyber security governance policies and procedures. – Ongoing security awareness initiatives continue to be undertaken. – A regular cycle of penetration testing. – Increased focus on protecting the business against potential cyber attacks has resulted in the implementation of additional controls to mitigate against such risks. – The effective implementation of a business-wide data protection compliance programme, including training of all relevant employees and contractors. – Systems, processes and controls have been reviewed and updated to ensure compliance with data protection laws.	**Risk Increasing**
6. Wage cost inflation There is a risk that increased costs associated with further increases to the National Living Wage may adversely impact upon overall operational costs. It is unclear at this stage how Covid-19 may affect overall wage costs as we head into FY 2022. Therefore, this review will continue as part of our review of all emerging risks facing the business. **Risk Increasing** Due to further increases set by Government, wage costs could continue to increase.	• A detailed review of the risks associated with the National Living Wage has been completed. This review has been undertaken at a strategic level to ensure that the Group carefully manages productivity and efficiency across the estate. • We have successfully implemented a time and attendance system to improve the management controls and reporting of staff hours.	**Risk Increasing**

Risks and uncertainties *continued*

Risk category and description	*Controls/mitigating activities*	*Movement*
### *7. Pension fund deficit* The material value of the pension fund deficit remains a risk. **Risk Stable** The Company has made significant additional contributions to reduce the funding deficit.	• In September 2019, the Company reached agreement on the triennial valuation of the Group pension schemes as at 31 March 2019, with a funding shortfall of £293m (March 2016 valuation £451m shortfall). • The Company will continue to pay cash contributions (of £49m p.a. indexed) to 2023, with an additional payment of £13m into escrow in 2024 should such further funding be required at that time. • We reached agreement with the Trustees in respect of non-payment of monthly deficit contributions from April – September 2020, with those payments now added to the end of the current agreement, thereby extending it by six months. Further agreement was also reached to delay payment of the January – March 2021 deficit contributions, which have now been paid alongside the April 2021 contributions, following the successful equity raise.	**Risk Stable**
### *8. Failure to operate safely and legally* A major health and safety failure could lead to illness, injury or loss of life or significant damage to the Company's or a brand's reputation. **Risk Stable** Allergen related incidents and near misses have stabilised. There is evidence in the last quarter of FY 2021 that allergen incidents are levelling out.	• Mitchells & Butlers maintains a robust programme of health and safety checks both within its restaurants, pubs and bars and throughout the supply chain. • The dedicated Safety Assurance team use a number of technical partners including food technologists, microbiologists and allergen specialists to ensure that our food procedures are safe. • Regular independent audits of trading sites are performed to ensure that procedures are followed and that appropriate standards are maintained. • If a business is identified as underperforming in terms of health and safety standards, it is immediately targeted for improvement and then reassessed. • The Company maintains two food safety Primary Authority relationships. These are held with Luton Borough Council (May 2019) and Shared Regulatory Services (November 2019) and provide assured advice on matters in England and Wales respectively. Westminster City Council continue to provide support on health and safety matters and Hampshire Fire Service for the provision of support and guidance on fire safety risks. • Food suppliers are required to meet the British Retail Consortium Global Standard for Food Safety and are subject to regular safety and quality audits. • Comprehensive health and safety training programmes are in place. • We continuously review the latest Covid-19 guidelines and continue to adapt our businesses in response.	**Risk Stable**

Risk category and description | *Controls/mitigating activities* | *Movement*

9. Cost of goods – price increases

Food: The cost of food for resale increases due to changes in demand, food legislation, exchange rates and/or production costs and uncertainty of supply, leading to decreased profits.

Drinks: The cost of drinks for resale increases due to changes in demand, legislation, exchange rates and production costs, leading to decreased profits.

Goods not for resale: Increases in the cost of goods not for resale and utilities costs as a result of increases in global demand and uncertainty of supply in producing nations can have a significant impact on the cost base, consequently impacting margins.

Supply: Given the national shortage of drivers and labour, which is putting additional pressure on suppliers, overall costs are likely to increase.

Brexit: Although the tariff risk of a hard Brexit is now removed, we are experiencing Brexit related cost pressures from our food suppliers relating to import administration costs and workforce shortages. These Brexit related cost pressures, combined with a volatile global food market, present higher food inflation levels than pre-Covid, which we have forecasted for FY 2022.

Risk Increasing
The overall risk of price increases is increasing.

Controls/mitigating activities

Overall, cost increases are mitigated as Mitchells & Butlers leverages its scale to drive competitive cost advantage and collaborates with suppliers to increase efficiencies in the supply chain. The fragmented nature of the food supply industry in the world commodity markets gives the Company the opportunity to source products from a number of alternative suppliers in order to drive down cost. Consideration has been given to potential areas such as supply chain risk (e.g. customs controls on imports), labour risk and economic disruption. Key mitigating activities for food and drink are detailed below:

Food:

- A Food Procurement Strategy is in place.
- Full reviews are carried out on key categories to ensure optimum value is achieved in each category.
- A full range review was completed in FY 2021 ensuring the correct number of products/suppliers. This is regularly reviewed.
- Regular reporting of current and projected inflation.
- Good relationships with key suppliers.

Drinks:

- Each drinks category has a clearly defined strategic sourcing plan to ensure Company scale is leveraged, the supply base is rationalised, and consumer needs are met.
- Good relationships with key suppliers.
- Supplier collaboration programmes are in place.

Brexit: Brexit risks have remained a key focus and have been subject to continued regular review and development by management during FY 2021. Brexit risks and the mitigating action plans are embedded within each of the key risks, which are regularly reviewed by both 'risk owners' and the Risk Committee.

A number of key measures have been taken to mitigate both the known and emerging risks that Brexit may present to the business. For example, we have secured agreements with our key suppliers which include:

- Buying ahead to mitigate the increasing risk of a lack of availability of products, following the UK's departure from the EU.
- Review and update of key contracts to secure the most commercially effective supply of goods and pricing.
- Identifying contingency markets for the alternative supply of food and drink, should it be required.
- Strong commercial relationships with key suppliers which have assisted with securing an adequate supply of goods in the event of a disruption.

Covid-19
During the Covid-19 pandemic, suppliers have continued to remain very supportive, and no material further supply chain associated risks have materialised.

Movement

Risk Increasing ↗

Risks and uncertainties *continued*

Risk category and description	*Controls/mitigating activities*	*Movement*
10. Food supply chain safety Malicious or accidental contamination in the supply chain could lead to food goods for resale being unfit for human consumption or being dangerous to consume. This could lead to restrictions in supply which in turn cause an increase in cost of goods for resale and reduced sales due to consumer fears and physical harm to guests/employees. **Risk Stable** The key risks facing the food supply chain safety are regarded as stable.	• Mitchells & Butlers has a Safety Assurance team and uses a number of technical partners including food technologists, food safety experts, microbiologists, allergy consultants, trading standards specialists and nutritionists. • Mitchells & Butlers uses a robust system of detailed product specifications. • All food products are risk rated using standard industry definitions and assessment of the way the products are used in Mitchells & Butlers' kitchens. Suppliers are then risk rated according to their products. • Each food supplier is audited at least once per annum in respect of safety and additionally in response to any serious food safety complaint or incident. • A robust response has been taken to manage allergens and the associated data within the menu cycle coupled with a continuous review in place to ensure controls remain appropriate.	**Risk Stable**
11. Health and lifestyle concerns Failure to respond to changing consumer expectations in relation to health and lifestyle choices and our responsibility to facilitate those. **Risk Increasing** There is an increasing level of focus from media and Government on health and obesity issues. This heightened consumer awareness has increased consumer awareness of the health implications of their eating and drinking choices, and it is important that we continue to evolve our offers to facilitate consumers to make informed decisions. Failure to meet these expectations could have both a financial and reputational impact on the business. Therefore, this risk is increasing.	• We monitor changing behaviour in relation to health and lifestyle issues and adapt our brands to appeal to changing needs ensuring that the brands remain relevant and competitive. • We have set targets for ongoing sugar and salt reduction. • A plan is in place to provide nutritional information for all brands to allow customers to make informed decisions.	**Risk Increasing**
12. Environment and sustainability Climate change, biodiversity depletion and environmental pollution present a risk to our ability to source products, with food being particularly at risk. **Risk Increasing** The impact of extreme and longer-term shifts in weather patterns, natural resource depletion and other effects of climate change could impact the business both financially and reputationally. These factors could disrupt our supply chain and the ability to source products due to reduced availability. Regulatory action to manage climate change could result in the introduction of additional taxes or restrictions being imposed. The business also has a responsibility to continually aim to reduce its usage of natural resources and its negative impact on the climate. Therefore, this risk continues to increase.	• We have set challenging targets in key areas such as greenhouse gas emissions, food waste, recycling and use of plastics (see page 20). • We have completed an exercise to determine our baseline greenhouse gas emissions from which we have developed a plan to deliver our ambitions of reducing emissions by 25% by FY 2030, which has been approved by the Board. • We are working with the World Resources Institute on their Cool Food Pledge programme to reduce the emissions of food supply chain links, which is a significant contributor to emissions globally. • All direct palm oil purchases continue to be sourced from Rainforest Alliance approved suppliers. • We are working with industry collaboration groups to develop a roadmap to sourcing sustainable soy in our supply chain. • We are developing initiatives to reduce our consumption of natural resources, with an electricity workstream live in the business, and gas and water in the planning phases.	**Risk Increasing**

Risk category and description	Controls/mitigating activities	Movement
13. Enforced Government closure/trading restrictions There is a risk that the business could be impacted by an enforced Government closure or imposed severe trading restrictions, of part or the whole of the estate, for example, regional/national/global pandemic, chemical/terrorist activity etc. A global pandemic may have a negative impact on the Group's operating and financial performance and liquidity. An outbreak of a global virus may cause severe disruptions in the global economy which could adversely affect the Group's business or operations, as well as the business or operations of third parties with whom the Group conducts business. **Risk Stable** The frequency and nature of these risks arising are unpredictable, as evidenced during the Covid-19 pandemic. However, given that Government trading restrictions have been lifted, the associated risks to the business have stabilised.	• Contingency plans are in place to review/respond to enforced Government actions and/or severe business disruption/trading restrictions. These should be subject to a formal review. • Business opening/closure processes have been updated. • Strong supply chain relationships are maintained to assist in the event of cancelling/returning stock orders. • Robust processes are in place to manage Government furlough schemes. • The business, and in particular the Safety and Security Team, is able to adapt quickly and respond to a change in operational and functional processes, as a result of a pandemic/business closures. • Established communication cascade/mechanisms are in place for employees, guests and suppliers. • IT infrastructure, hardware, systems and employee support are in place to maintain remote working. • Key financial controls have been reviewed, assessed and updated to ensure they continue to be operated in the event of limited/no access to either the Retail Support Centre or businesses. • A high-level review of lessons learned, following the Covid-19 pandemic, has been undertaken to inform the required changes to business planning/operating procedures.	**Risk Stable**

Compliance statements

Corporate Viability

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have undertaken an assessment, including sensitivity analysis, of the prospects of the Group for a period of three years to September 2024.

Assessment period

Three years continues to be adopted as an appropriate period of assessment as it aligns with the Group's planning horizon in a fast moving market subject to changing consumer tastes in addition to economic and political uncertainties, and is supported by three-year forecasts as approved by the Board. This period also aligns with the triennial process for pensions valuations, a key consideration in respect of future cash flows. Beyond this period, performance is impacted by global macroeconomic and other considerations which become increasingly difficult to predict, an example of which has been the profound impact of the Covid-19 pandemic.

Assessment of prospects

The Group's financial planning process comprises a detailed forecast for the next financial year, together with a projection for the following two financial years.

The Group's strategy provides long-term direction and aims to protect the viability of the business model given prevailing and evolving market and economic conditions. The Directors' assessment of longer-term prospects has been made taking account of the current and expected future financial position and the principal risks and uncertainties, as detailed within the Annual Report.

At the current time uncertainty facing the business remains high due both to potential further impacts of the Covid-19 pandemic, which have previously inhibited the Group's ability to trade freely thereby reducing sales and activity, and to increasing cost headwinds in areas such as wage inflation and utilities. Longer-term risks are further identified around evolving consumer demands and tastes and the economic and political environment.

Key factors considered in the assessment of the Group's prospects are a strong market position with a broad range of brands and offers trading from a well-positioned and largely freehold estate, supported by the resumption of capital investment focused on premiumisation of offers and an appropriate remodel cycle, all anticipated to contribute to outperformance against the wider market.

Assessment of viability

The current funding arrangements of the Group consist of £1.5bn of long-term securitised debt which amortises on a scheduled profile over the next 15 years. Covenants are tested quarterly, both on an annual and a half-year basis, although as set out in the note to the financial statements on going concern, a refinancing was undertaken during the year resulting in a number of waivers followed by amendments through to January 2023 being obtained. Unsecured committed facilities of £150m were in place at the year end, having been extended during the refinancing and equity Open Offer. These facilities expire within the three-year term of this assessment, in February 2024, and at the current time the Group has no reason to conclude that they will not be refinanced ahead of their expiry.

Following the end of the third national lockdown in April 2021, and subsequent lifting of the majority of restrictions in July, the principal short-term risks facing the business are assessed to be the recovery of demand, back to pre-Covid levels and beyond, and increased cost inflation notably in wage rates and utilities. The Group has reviewed a number of forecast scenarios and sensitivities around these risks, including additional stress testing that has been carried out on the Group's ability to continue in operation under unfavourable operating conditions. In assessing these, the Group has also included the impact of remaining temporary Government support measures – notably a reduction in the rate of VAT to 12.5% on selected products until March 2022. Whilst the experience of Covid-19 is expected to lead to lasting changes in both customer behaviour and competition in the hospitality sector, in making this assessment the Group has taken the view that the material adverse impact of Covid-19 on sales, through trading restrictions, will be temporary in nature and should not extend to any material extent beyond FY 2021. In particular, it is assumed that no further mandated closure or trading restrictions will be reintroduced. In FY 2022 and FY 2023, the Group is forecasting sales growth of between nil and 4.5%, when compared to pre-pandemic levels.

The Group's three-year plan takes account of these risks, in addition to the prevailing economic outlook and capital allocation decisions, alongside limited planned mitigating activity such as improved operational efficiencies (stock and labour management) to manage these costs. No further Government support is assumed beyond those measures already announced. The resilience of this plan is assessed through the application of forecast analysis, including reverse stress test modelling for the first year, as detailed more extensively in the going concern note to the financial statements, focused in particular on recovery of demand and input cost inflation during the current financial year as well as on a longer-term basis. Sensitivities of the following risks described in the Annual Report have also been applied to the base plan:

- declining Sales Performance (Risk event 2): 2% lower sales growth rate in FY 2022, FY 2023 and FY 2024;
- cost of Goods Price Increases (Risk event 9): 2% increase in direct Cost of Goods (Drink and Food) in FY 2022, FY 2023 and FY 2024;
- increased utilities cost (Risk event 9): additional £10m, £15m and £15m in FY 2022, FY 2023 and FY 2024 respectively against FY 2019;
- increased Wage Cost Inflation (Risk event 6): 2% increase in NLW wage rate in FY 2023 and FY 2024; and
- a scenario combining all of the above sensitivities which reduces operating profit by £39m, £48m and £59m in FY 2022, FY 2023 and FY 2024 respectively.

Liquidity and solvency based on financial covenants (Risk event 1) on both secured debt and unsecured facilities are assessed in all scenarios. In all scenarios the Group continues to remain profitable with sufficient liquidity and no forecast unwaived covenant breaches, albeit with minimal headroom in the scenario combining all sensitivities. However, it is noted that there is a requirement to refinance the unsecured facilities and potentially increase the amount in February 2024. It is considered that this can be accommodated within the debt capacity of the business given the anticipated recovery in profitability and the strength of the creditor relationships exhibited in the refinancing exercises during FY 2020 and FY 2021, noting also that by that time a further c.£250m of securitised debt is expected to have been paid down.

Viability statement

The Directors have concluded, based upon the extent of the financial planning assessment, sensitivity analysis, potential mitigating actions and current financial position that there is a reasonable expectation that the Group will have sufficient resources to continue in operation and meet all its liabilities as they fall due over the three-year period to September 2024. However, due to 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 is remote. Given this lack of forward visibility, and the material uncertainty highlighted in the going concern assessment, the viability of the business over the three-year assessment period remains uncertain.

Non-financial information statement

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the report. This can be found as follows:

- Business model on pages 22 to 25.
- Information regarding the following matters can be found on the following pages:
  - Environmental matters on pages 28 and 29;
  - Employees on page 27;
  - Social matters on pages 26 to 29;
  - Respect for human rights on pages 57, 70 and 71;
  - Anti-corruption and anti-bribery matters on page 72.
- Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 32 to 39 including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.
- All key performance indicators of the Group, including those non-financial indicators, are on pages 30 and 31.
- The Financial review section on pages 43 to 46 includes, where appropriate, references to, and additional explanations of, amounts included in the accounts.

Section 172 Companies Act statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have given regard, amongst other matters, to the following considerations in the decisions taken during the financial period ended 25 September 2021:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, guests and others;
- the impact of the Company's operations on the community and environment;
- the desirability for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board has a duty under Section 172 Companies Act 2006 to promote the success of the Company and, in doing so, must take account of the effect on other stakeholders of how it manages the business of the Company, whether these stakeholders are from within the Company, in its group or outside the Company and its group. Throughout the year the Board has kept in mind these responsibilities as it has supervised and monitored the business activities and prospects of the Company and as it has considered, and, where appropriate, made decisions relating to strategic aspects of the Company's affairs.

In carrying out these functions, the Board had regard to those stakeholders which it had identified as being of significant importance. These are the Company's shareholders, those employees of the Mitchells & Butlers Group who were likely to be affected by the activities of the Company (including their job security and entitlements in terms of pay, pensions and other benefits), guests who purchase goods and services provided by the Company, suppliers to the Company, whether they are external to the Mitchells & Butlers Group or within that group, governmental authorities such as HMRC and regulatory bodies, the Trustees of the Group's pension schemes, providers of finance to the Group including its banks and bond holders, real estate property counterparties (whether as landlords or tenants) and those specific entities or individuals who are likely to be affected by the outcome of the relevant matter falling for consideration on a case-by-case basis.

Not all of those stakeholders' interests fall for consideration in each set of circumstances which the Board has to consider. However, as and when a particular matter falls for review by the Board, it first seeks to identify those stakeholders which are likely to be impacted by the decision of the Board, and then the Board discusses the respective interests of those stakeholders as well as the consistency (or otherwise) of the relevant proposal with the Board's existing, or any proposed change(s) to its, strategic plan.

Major matters considered by the Board during the year related primarily to the effect on the Group's business and its guests, employees and suppliers of the continued impact of the Covid-19 pandemic which involved various periods of closure of its trading sites and the imposition of different Tiers or Levels of restrictions on operations, differing across all of the jurisdictions in which the Group operated, and the subsequent reopening of the overwhelming majority of those sites, rent payments to be made to real estate property landlords, the effect of the financial support received from the UK Government under its various Coronavirus business support schemes and the assessment of the Company's financial position and its ability to continue to trade, incur credit and to pay its employees and suppliers and other creditors. This financial assessment led to the refinancing of unsecured debt and the re-negotiation of various covenants and other terms in relation to the Company's securitisation arrangements as well as, in parallel, the issue of new shares under the Open Offer launched in February 2021. There were also similar considerations made by the Board in relation to the Group's German business and the impact of the continuing Covid-19 pandemic on its operations, creditors, employees, regulatory bodies and other stakeholders, including regional and federal German government authorities.

Compliance statements continued

The Board had the benefit of a specific briefing from its external legal advisers on the duties and responsibilities of the Directors in relation to the challenges and unusual operating circumstances which were caused by the Covid-19 pandemic in FY 2020 and continued to keep that advice in mind throughout FY 2021, supplemented by further bespoke briefings by those legal advisers on the specific issues relating to the financial position, assessment and the refinancing arrangements, including the Open Offer. During FY 2021, three of the larger shareholders in the Company combined their interests in a single new group to form the Odyzean Group which, after the completion of the Open Offer, held a shareholding of 56.8% in the Company. In July 2021, the Company announced that it had entered into a Relationship Agreement with the Odyzean Group.

In considering the implications of the Covid-19 pandemic, the Board looked not only at the position and prospects of the Company, but also took into consideration the wider Mitchells & Butlers Group as a whole, in relation to the financing arrangements and the need to comply with the Group's obligations of its securitisation arrangements and other financial arrangements.

Having identified the relevant stakeholders and their interests in relation to specific matters or particular circumstances, the Board then assessed the relevant weighting of those interests in considering and eventually reaching its conclusions. This was of particular importance in relation to its decisions relating to the closure of trading sites, furloughing of staff, accessing Government support, amendments to trading arrangements with external suppliers and the financing of Group companies and agreements to new banking facilities and changes to existing debt arrangements. Similar assessments were also undertaken in relation to those periods of time when operational restrictions were imposed by various governmental authorities by reference to Tiers or Levels or other criteria and then, again, as the operational restrictions were gradually eased during the financial year.

In reaching its decisions, the Board was mindful of the need to seek to preserve the integrity of the Company's business so that it could trade successfully again after the impact of the Covid-19 pandemic had passed but that it would need to allocate its resources in such a way as to ensure creditors' interests and the interests of other stakeholders such as employees and guests were not prejudiced. This led to a need for allocation of cash resources in a prudent and carefully controlled way whilst ensuring that, over time, creditors received payment of amounts properly due.

Board papers set out the rationale for the proposals and the relevant decisions were made after discussion amongst the Board members with appropriate legal, accounting, HR and treasury input. The processes implemented by the Board included regular meetings to consider key developments as well as the provision, refreshed during the financial year, of training to Directors in relation to their responsibilities as directors of a limited company, including the responsibilities under Section 172 Companies Act 2006.

Specific consideration was given in the decision-making processes implemented by the Board to how the manner in which the Company operated, and the specific proposals it was asked to consider, aligned to its strategic goals as described on pages 18 and 19 and its agreed purpose as referred to on page 1.

The Board also confirmed that, in discharging its responsibilities for management, supervision and control of the Company's business and its affairs, it would seek to align to the Mitchells & Butlers Group PRIDE Values of Passion, Respect, Innovation, Drive and Engagement as set out at page 23 of this Annual Report.

Throughout this Annual Report we provide examples of how we take these considerations into account. The Board values the importance of effective stakeholder engagement and believes that stakeholders' views should be considered in its decision-making. Details of how we engage with various stakeholders can be found on pages 26 to 29.

Financial review

Our financial and operating performance

Tim Jones
Chief Financial Officer

"On a statutory basis, loss before tax for the year was £(42)m (FY 2020 loss £(123)m), on sales of £1,065m (FY 2020 £1,475m)."

The Group Income Statement discloses adjusted profit and earnings per share information that excludes separately disclosed items to allow a better understanding of the trading of the Group. Separately disclosed items are those which are separately identified by virtue of their size or incidence.

	Statutory		Adjusted[a]	
	FY 2021 £m	FY 2020 £m	**FY 2021 £m**	FY 2020 £m
Revenue	**1,065**	1,475	**1,065**	1,475
Operating profit	**81**	8	**29**	99
Loss before tax	**(42)**	(123)	**(94)**	(32)
Loss per share[1]	**(11.5)p**	(23.6)p	**(13.6)p**	(5.7)p
Operating margin	**7.6%**	0.5%	**2.7%**	6.7%

1. Loss per share for the comparative periods have been restated to reflect the bonus element of the Open Offer share issue completed on 12 March 2021.

The financial performance across both years has been significantly impacted by restrictions on trading and national shutdowns in response to the Covid-19 pandemic, in both the UK and Germany.

At the end of the period, the total estate comprised 1,732 sites in the UK and Germany of which 1,645 are directly managed.

Revenue

Total revenue of £1,065m (FY 2020 £1,475m) was lower than last year due to restrictions on trading in response to Covid-19. Figures include the benefit of the temporary reduction in the rate of VAT on food and non-alcoholic drink sales worth £81m (FY 2019 £31m).

FY 2021 contained 18 weeks of enforced closure (defined as trading weeks where more than 90% of our estate was closed) and a further five weeks of outdoor trading only from 12 April to 16 May. The majority of our estate has been fully open for trading since 17 May and sales have gradually strengthened over this period as restrictions were relaxed.

The sales have been compared to FY 2019, being the last full year pre-Covid-19. FY 2020 is not considered an appropriate comparison for trading performance due to the significant disruption caused to trade due to Covid-19 related restrictions and closures. As like-for-like sales[a] can only be measured when sites are trading the measure also excludes periods of closure in response to Covid-19.

Financial review continued

Like-for-like sales[a] growth/decline against FY 2019:

	Weeks 1–14 FY 2021	Weeks 15–28 FY 2021	Weeks 29–43 FY 2021	Weeks 44–52 FY 2021	**Weeks 1–52 FY 2021**
Drink	(39.7%)	Closure	(22.1%)	(9.5%)	**(21.6%)**
Food	(19.0%)	Closure	3.0%	16.7%	**2.5%**
Total	(28.9%)	Closure	(10.7%)	3.8%	**(9.6%)**
Proportion of estate open	49%	0%	76%	98%	**52%**

Across the year like-for-like sales[a] declined by (9.6)% with food sales[a] up by 2.5%, supported by reduced levels of VAT, and drink sales[a] down by (21.6)%. Against FY 2019, drinks volumes were in decline of (28.5%) reflecting the restrictions on solus drinking and the slower recovery of wet led brands particularly in larger city centres and outside of the higher energy younger pub and bar market. Food volumes, across the year, were in decline of (25.1%) with the increase in average spend per head reflecting the increasingly strong performance of premium offers.

For the eight weeks since the period end, like-for-like sales[a] against FY 2019 have increased by 2.7%, comprising an increase in like-for-like food sales[a] of 9.5% and a decrease of like-for-like drink sales[a] of (4.8)%. Volumes remain in decline of between 10% to 15%, with sales being driven by increases in spend per head and reduced VAT on food and non-alcoholic drink. Total sales in this period grew by 0.5%.

Separately disclosed items

Separately disclosed items are identified due to their nature or materiality to help the reader form a better view of overall and adjusted trading.

In the period a decision of a First-Tier tribunal in the case of the Rank Group Plc against HMRC in relation to VAT on gaming income, for the period post-2005, was given in favour of the taxpayers. HMRC has subsequently confirmed that it will not appeal against the decision and will now pay valid claims. As a result, the Group has resubmitted a claim covering the period from 2005 to 2012 and an estimate of the amount receivable, including interest, of £20m has been recognised in the current period. In the prior period a similar claim for the period pre-2005 of £13m had been recognised.

A £38m net movement is recognised relating to valuation and impairment of properties, comprising a £51m impairment reversal arising from the revaluation of freehold and long leasehold sites, net of a £3m impairment in relation to freehold and long leasehold tenant's furniture and fittings, a £2m impairment of short leasehold and unlicensed properties and a £8m impairment of right-of-use assets.

A charge of £4m was recognised in relation to stock write-offs as a result of Covid-19 mandated closure[b] in the first half and a £3m past service cost in relation to guaranteed minimum pensions (GMPs) equalisation for the defined benefit pension schemes.

In addition to the tax impact of the above items, a £29m deferred tax charge has been recognised in the current period following the substantive enactment of legislation on 10 June 2021, which increased the UK standard rate of corporation tax from 19% to 25% from 1 April 2023.

Operating profit and margins[a]

The significant impact of Covid-19 closures and restrictions resulted in an adjusted operating profit[a] of £29m (FY 2020 £99m). Throughout closure periods operating costs were kept to a minimum and over 99% of employees have been on furlough, amounting to £210m of UK Government support for employees through furlough grants during the period. Support to the Group itself continued in the form of a holiday from business rates, which was worth £75m in the period, and a reduction in the rate of VAT to 5% on non-alcoholic sales throughout the year which was worth £81m.

Operating margin, calculated on a statutory basis, of 7.6% was 7.1 percentage points higher than last year, materially impacted by property valuation and impairment reviews. Adjusted operating margin[a] was 4.0ppts lower than last year at 2.7%, impacted by the significant periods of closure and other trading restrictions in response to Covid-19.

Prior to the Covid-19 pandemic the business faced inflationary cost headwinds in the region of £60m to £65m per year. In the short term, cost pressures are expected to be higher than average due principally to recent escalations in energy costs.

Interest

Net finance costs of £120m for the year were £7m lower than last year, with annual amortisation reducing the value of securitised debt. The net pensions finance charge was £3m (FY 2020 £4m). The net pensions finance charge for next year is expected to be £2m.

A number of the Group's financial instruments had LIBOR as their reference rate. The Group has now 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 Sterling Overnight Index Average (SONIA) based rate in respect of Sterling, and a Secured Overnight Financing Rate (SOFR) based rate in respect of US Dollars, effective from 1 January 2022 and 1 July 2023 respectively.

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 originally arranged on a SONIA basis in February 2021, so did not require amendment.

Earnings per share

Basic loss per share, after the separately disclosed items described above, was (11.5)p (FY 2020 (23.6)p), adjusted loss per share[a] was (13.6)p (FY 2020 (5.7)p). Loss per share for comparative periods has been restated to reflect the bonus element of the Open Offer share issue (see note 2.5).

The basic weighted average number of shares in the period was 566m and the total number of shares issued at the balance sheet date was 597m, following the equity raise and subsequent issue of an additional 167m shares.

Cash flow

	FY 2021 £m	FY 2020 £m
EBITDA before movements in the valuation of the property portfolio	182	255
Non-cash share-based payment and pension costs and other	13	5
Operating cash flow before adjusted items, movements in working capital and additional pension contributions	**195**	260
Working capital movement	7	20
Pension deficit contributions	(52)	(25)
Cash flow from operations	**150**	255
Capital expenditure	(33)	(108)
Net finance lease principal payments	(41)	(20)
Interest on lease liabilities	(21)	(8)
Net interest paid	(104)	(108)
Tax	1	(11)
Issue and purchase of shares	341	(1)
Other	–	1
(Repayment)/drawings under liquidity facility	(9)	9
(Repayment)/drawdown of term loan	(100)	100
(Repayment)/drawdown of revolving credit facilities	(10)	10
Net cash flow before bond amortisation	**174**	119
Bond amortisation	(104)	(95)
Net cash flow	**70**	24

The business generated £182m of EBITDA before movements in the valuation of the property portfolio.

Pension deficit contributions returned to committed levels, with FY 2020 lower due to an agreement with the schemes' Trustees to suspend contributions for six months to conserve liquidity during the period of shutdown in that year.

Share issue proceeds reflect the equity raise of £351m less £(9)m transaction fees, less (£1m) purchase of own shares.

After all outgoings including mandatory bond amortisation, cash flow generated was £70m (FY 2020 £24m).

Capital expenditure

Capital expenditure of £33m (FY 2020 £108m) comprises £29m from the purchase of property, plant and equipment and £4m in relation to the purchase of intangible assets. Capital expenditure was significantly below historic levels as part of the cash management strategy instigated in response to Covid-19.

	FY 2021		FY 2020	
	£m	#	£m	#
Maintenance and infrastructure	**14**		38	
Remodels – refurbishment	9	21	54	139
Remodels – expansionary	1	2	2	5
Conversions	2	5	13	23
Acquisitions – freehold	7	2	1	1
Acquisitions – leasehold	–	–	–	–
Total return generating capital expenditure	**19**	**30**	70	168
Total capital expenditure	**33**		108	

Property

In line with our property valuation policy a red book valuation of the freehold and long leasehold estate has been completed in conjunction with the independent property valuer, CBRE. In addition, the Group has undertaken an impairment review on short leasehold and unlicensed properties and fixtures and fittings. The overall property portfolio valuation has increased by £196m (FY 2020 decrease of £208m) reflecting £46m separately disclosed in the income statement and a £150m increase in the revaluation reserve.

Financial review continued

Pensions

The Group continues to make pension deficit payments as agreed as part of the triennial pensions valuation with the schemes' Trustees at 31 March 2019, which showed an actuarial deficit of £293m. It was agreed that the deficit would continue to be funded by cash contributions of £49m per annum indexed with RPI from 2016 to 2023. In 2024 an additional payment of £13m will be made into escrow, should such further funding be required at that time.

During FY 2020, the Group agreed with the Trustees that the contributions into the Mitchells & Butlers Pension Plan and the Mitchells & Butlers Executive Pension Plan would be suspended in respect of the monthly contributions for the six months to September 2020 and those contributions have been added onto the end of the agreed recovery plan such that those contributions will now be payable in 2023. During FY 2021, an additional agreement was reached with the Trustees to delay monthly contributions from January to March 2021, inclusive, with these now all having been paid.

Judgement has now been made in relation to the court hearing concerning the rate of inflation to be applied to pensions increases for certain sections of the membership of the Mitchells & Butlers Pension Plan in excess of the guaranteed minimum pension. This has held that there had indeed been an error and the rules should be rectified as requested by the Trustee to remove the Company's power to determine the rate at which pensions are increased and to re-insert the Trustee's power to change the index used for pension increases. This means that pensions will be increased in line with RPI unless or until the Trustee decides to exercise its power to switch to another index at some point in future. This decision has no effect on the Plan's funding position, or the schedule of contributions payable by the Company, which have consistently been calculated assuming RPI indexation.

Net debt[a] and facilities

Following the adoption of IFRS 16 in the prior financial year, leases are now included in net debt. Net debt[a] at the period end was £1,783m, comprised of £1,270m non-lease liabilities and lease liabilities of £513m (FY 2020 £2,104m comprised of £1,563m non-lease liabilities and lease liabilities of £541m).

On 14 February, the Group reached agreement with its three relationship banks for a new £150 million three-year unsecured facility. In addition, extended waivers and then 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 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 CLBILS term loans was repaid. The details of these arrangements and an analysis of net debt can be found in notes 4.1 and 4.4.

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.

Further details can be found at
https://www.mbplc.com/infocentre/debtinformation/

Significant Judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies. Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Judgements and estimates for the period relate to;

- going concern assessment (note 1)
- separately disclosed items (note 2.2)
- property, plant and equipment (note 3.1)
- leases (note 3.2)
- pensions (note 4.5)

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.

Tim Jones

Chief Financial Officer
24 November 2021

Definitions

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.
b. Mandated closure is defined as more than 90% of the estate being closed.