Report on Directors' remuneration

"Following my appointment as Chair of the Remuneration Committee in July, I am pleased to present the Directors' Remuneration Report in respect of the financial period which ended on 24 September 2022."

Amanda Brown
Chair of the Remuneration Committee

Background and business context

The UK Hospitality industry has faced another year of considerable challenge and volatility. In early December it became clear that concerns relating to the emergence of the new Omicron variant were having an impact on consumer confidence, with the public encouraged to limit socialising and this having a major detrimental effect on trading at the busiest period of the year. By the half year, it was clear that a number of factors were having a sustained impact on driving up inflationary cost pressures, notably wages, fuel and food costs, not only affecting our own cost base, but crucially threatening to impact consumer confidence as inflation began to rise.

Against this backdrop the business has performed well. By the start of FY 2022 sales had returned to growth, and whilst the impact of the Omicron variant meant that sales over the four-week Christmas period fell on a like-for-like basis by over 10%, performance was strong in the period up to the start of December. Through the remainder of the year like-for-like sales remained in growth although overall profitability continued to be impacted by the external factors set out above. Total sales for FY 2022 fell by 1.3% mainly as a result of temporary closures in the first quarter, however, like-for-like sales[a] grew by 1.1% over the full year.

In comparison with FY 2019, cost headwinds totalled £220m with energy costs contributing £70m. If energy costs had remained flat, full year Operating Profit would have been broadly in line with FY 2019 even when taking into account the other cost increases. Given the impact of Omicron in the first quarter, this represents a very strong performance.

The strategic priorities underpinning the performance of the business have remained consistent for a number of years, with our aims being:

- build a balanced business,
- instil a commercial culture and,
- to drive an innovation agenda.

The Ignite programme of work continues to be the engine room that drives progress across these priorities and has enabled the management team to be proactive in managing the impact of the macroeconomic environment on the business. A range of new initiatives is now being introduced alongside existing projects. These newer projects include automated ordering for food and drinks, and, more recently, the roll out commenced of automated scheduling tools. Both of these initiatives improve efficiency and save our managers time, allowing them to focus on our guests.

The ongoing energy cost pressures make it essential that businesses look to innovation as a way to mitigate as far as possible increases that the business faces. These innovations have ranged from the very straightforward, such as appointing in-house energy champions to identify opportunities to improve energy efficiency, to more sophisticated capital driven responses such as the installation of voltage optimisers.

Our capital investment plan is key to us building a balanced business and has continued despite the ongoing uncertainty. Over FY 2022 c. 166 conversions and remodel projects were completed, made possible by the strong underlying financial position of the Group, and these projects continue to deliver good returns.

a. Compared to FY 2019, this being the last full pre-Covid financial year.

Building a sustainable business

Progress against our Environmental, Social and Governance ('ESG') strategy has also continued throughout the last year. This strategy focuses on three areas, respect for the planet, pride in our offers and care for our communities. We have set a very ambitious target to be Net Zero by 2040, to have zero operational landfill by 2030 and to have reduced food waste by 50% by 2030. Work towards these targets is underpinned by a number of workstreams focused on practical ways of achieving these aims, for example by increasing recycling and making operational improvements to reduce our food waste through partnerships such as Too Good to Go. We are also founding members of the Zero Carbon Forum. Our strategy also encompasses our people and our communities with a focus on employee wellbeing and working with partners such as Shelter, Only a Pavement Away and Social Bite to tackle homelessness and provide job opportunities. More information on our broader sustainability strategy can be found on pages 32 and 33.

It is well documented that the hospitality sector has been impacted by employee shortages since the pandemic began and whilst there are some areas of the country where recruitment and retention remain challenging, particularly for kitchen teams, employee numbers in Mitchells & Butlers have recovered almost to pre-pandemic levels.

The challenging recruitment market is unlikely to change in the short to medium term, and as a result it is important that our overall employee offer adapts to meet the demands of current and prospective employees. To do this, work is underway to enable employees to work more flexibly and to consider how best to address long working hours which have been a characteristic of the hospitality industry for many years.

The business is also very aware of the role it can play in supporting our employees with the impact of inflation and the cost of living, and an element of this is ensuring that pay and benefits remain competitive. All employees have access to a platform that provides discounts across a range of retailers, including supermarkets and we have recently extended our employee discount scheme to enable friends and family to access the scheme. In addition, employees are able to access support across a range of mechanisms including our employee assistance programme which is operated in conjunction with the Licensed Trade Charity.

Outcome of the 2022 AGM vote on the Annual Report on Directors' remuneration

At the 2022 AGM the Annual Report on Directors' remuneration received the support of 78.5% of shareholders. It is clear to me that some shareholders had concerns about the RSP award level for the Chief Financial Officer ('CFO') which I will address later in this report. The current remuneration policy was approved at the 2021 AGM with 82.5% of shareholders voting in favour of the policy.

Remuneration in FY 2022

From the start of FY 2022 to my appointment as Remuneration Committee Chair in July 2022, remuneration matters were considered by the Board. As such, where references are made to the Board in the remainder of this statement this indicates that the matter was dealt with by the Board and where the Remuneration Committee ('the Committee') is referenced it was a matter considered by the Committee.

Annual Bonus

For FY 2022 the annual bonus scheme reverted to the structure in place prior to the Covid-19 pandemic, with four elements: Adjusted Operating Profit[a] (hereafter known as Operating Profit), Guest Health, Employee Engagement and Food Safety. These plan measures reflect the overall business scorecard aligning all employees from the Executive Committee through to the management teams in each business.

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 177 to 179 of this report.

Financial measures – Operating Profit (outcome 14.6% out of 43%)

In the hope of a more stable FY 2022, the Board set Operating Profit targets at the start of the financial year for the Company incentive schemes. By the end of the first quarter, a number of things had changed. The emergence of the Omicron variant had a significant impact on Christmas trading, the cost headwinds the business was facing were far in excess of those anticipated at the start of the financial year and it was also clear that consumer confidence would be weakened as a result of much higher inflation and, in particular, increases in household energy costs.

At the beginning of the second quarter, the Board reviewed performance and, taking into account the significant shift in the financial outlook, concluded that the targets set were no longer appropriate for the c. 6,000 employees across the Group that we were trying to incentivise, at the same time highlighting a significant retention and motivation risk. The Board therefore determined it would be appropriate to set a target for the final eight periods of the year (April to end September) but with a corresponding reduction in bonus opportunity. This approach applied to all those employees eligible to participate in an incentive plan and included c. 5,000 critical frontline managers as well as the Executive Team and Executive Directors.

For the Executive Directors, this meant that the financial performance in the first five periods of the financial year was measured against the original targets set in respect of this period. As these targets were not achieved, no bonus will be awarded in respect of this period.

The Operating Profit target for the remainder of the financial year was set following a reforecast of the business in the light of the escalating cost pressures, notably in wages, food and energy costs. This resulted in an Operating Profit target of £167.7m in respect of this period. The Board determined that this pro-rata target was at least as challenging as the full year target and provided a fair and proportionate level of incentive for Executives in what would be a very challenging year.

As this target now covered a part year, the overall earnings opportunity for this element was reduced accordingly on a pro-rata basis from 70% to 43% of base pay.

The same performance range applied to the revised target with earnings beginning to accrue at 95% of the target and maximum at 103% of target.

This approach to annual incentives was applied to all support centre colleagues. For frontline management employees a pro-rata approach was put in place based on the same principles. In addition, where any bonus was earned by employees in this group against the earlier period's targets, this was also paid.

The overall Operating Profit outcome over the financial year was £240m, and £165m for the period between April and the end of September equivalent to 98.4% of the eight period target, resulting in a bonus payment equivalent to 14.6% of salary for Executive Directors.

Non-financial measures – (outcome 18.75% out of 30%)

The non-financial measures encompass Guest Health, Employee Engagement and Food Safety, and form an important part of the annual incentive plan. Clear correlations have been established over a number of years between strong employee engagement, high levels of guest satisfaction and sales performance. Food safety is always a priority for the business.

Bonus can only be earned under these non-profit elements if 97.5% of the Operating Profit target is met. The non-profit targets for FY 2022 were measured over a full year and the Operating Profit underpin assessed against the financial target set for the final eight periods of the year, and therefore the profit underpin condition has been met.

Guest Health performance was at the threshold level for payment, Employee Engagement exceeded the maximum target and the Food Safety element met the target set. As a result, the overall outcome across all three non-profit elements was a payment equivalent to 18.75% of base pay for Executive Directors.

Final Bonus Outcome

In determining the final bonus outcome, the Committee considered the wider performance of the Group across the entire financial year as part of its overall quality of earnings assessment. The Committee felt it was important that this assessment included the financial performance in the first quarter of the year, taking into account trading prior to the emergence of the Omicron variant and the resilience the business has shown subsequently as the cost pressures have further increased significantly in the remainder of the year as a result of Russia's invasion of Ukraine. Overall, given the very challenging circumstances, the Committee felt that the Senior Management team had delivered a strong performance over the year.

In taking all of these factors into account, and specifically the scaling back of the bonus opportunity for the financial element and the very demanding nature of the targets, the Committee was therefore satisfied that the overall outcome was consistent with our performance over the year. An additional important consideration was that other employee groups had been treated consistently with the approach taken for Executive Directors.

Therefore, the total bonus awarded to Executive Directors is 33.4% of salary, resulting in bonus payments of £182,241 and £152,491 to Phil Urban and Tim Jones respectively.

In line with our policy, half of any bonus award will be deferred into shares under the Short Term Deferred Incentive Plan ('STDIP'), which will be released in two equal amounts after 12 and 24 months. These shares must be retained until the shareholding requirement is met and are subject to a post-cessation holding period.

FY 2019 PRSP vesting and underpin

Last year's report explained that the FY 2019 PRSP has vested but that these vested shares, equivalent to 21.5% of the maximum outcome, were subject to a share price underpin. This underpin meant that shares could not be exercised unless the share price equalled or exceeded 272p on any one day from 25 November 2021 up to and including 25 May 2022. During the period up to 25 May 2022 the share price came very close to meeting this underpin, reaching 268p in February. The share price had been consistently above this underpin in the period just prior to vesting and over the last three months of FY 2021 the average share price was 277p.

The Board considered this matter in April when it became clear that the underpin condition would not be met and concluded that it was very likely that the condition would have been met, had it not been for the wider macro factors affecting share prices across many sectors of the economy. For example these factors, namely the impact of Omicron and Russia's invasion of Ukraine, saw share prices fall across the FTSE All Share Travel and Leisure group (which Mitchells & Butlers is a part) by around 3.7% in the period between the shares vesting in November 2021 and the end of the underpin period in May 2022. Over the period from the date of grant to the end of the original underpin period, Mitchells & Butlers outperformed the median share price of the FTSE All Share Travel and Leisure group.

Equally, the Board did not feel that it would be appropriate to simply override the condition and allow awards to be exercised at a time when the share price was depressed. It was also noted that this type of underpin is unusual in long-term incentive plans and means that there is a further performance hurdle to be met in order for vested shares to be released.

The Board therefore determined that it would be appropriate to extend the time period under which the underpin would need to be satisfied to two years post the vesting date (to November 2023), this being the period by which vested awards must be exercised under the plan rules. If the underpin is met during the extended period, the Committee is committed to reviewing the wider circumstances at the time, including the Company's broader performance, to determine whether it is appropriate for the vested shares to be exercised. As such, the underpin being met during the extended period will not automatically result in the vested shares becoming exercisable.

In accordance with our remuneration policy, a letter explaining the decisions to amend the underpin was sent to major shareholders and investor groups during the year, and there were no concerns raised as a result.

FY 2020 PRSP (Nil Vesting)

During FY 2020 share awards were made to Phil Urban and Tim Jones under the terms of the PRSP to the value of 200% and 140% of their respective salaries.

The 2020/22 PRSP performance condition had two independent elements, Operating Cash Flow before separately disclosed items (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR performance against a group of sector peers (25% weighting).

As has been well documented, the Covid-19 pandemic has severely impacted on financial performance with Operating Cash Flow of £835m being below the level required for threshold vesting (£1,509m). As a result, this element of the plan lapsed. TSR performance was -41.3% and below the median of the group (-36.5%) and therefore this element of the plan also lapsed.

Remuneration for FY 2023

Fixed Pay (Base Pay, Pensions and Benefits)

Fixed pay for Executive Directors has remained unchanged since 2019 and will not increase in 2023.

The current level of inflation is putting pressure on pay increases. Overall pay increases have been 6.3% over the year with hourly paid frontline employees who are typically the lowest paid employees in the group, seeing the largest increases. It is anticipated that pay increases for frontline workers in the coming year will again be at least at the level seen in FY 2022.

With effect from 1 January 2023 Phil Urban's salary will increase to £579,000 (5%) and Tim Jones's to £484,500 (5%). In line with our intention to reduce pension allowances for Executive Directors to the average employer contribution, increases in base pay will be entirely offset by an equal reduction in the cash equivalent pension contribution. Therefore, the pension allowance paid to Executive Directors will reduce to 5.6%. This compares with 4% for the general workforce and we anticipate that alignment will be achieved in FY 2024 in line with the approach we communicated in our remuneration policy.

There are no changes to the benefits available to Executive Directors.

Annual Bonus

The Committee has determined that the annual bonus scheme for FY 2023 will be broadly the same as that in place for FY 2022, and will be structured as follows:

- The maximum earnings opportunity will remain at 100% of base salary.
- Adjusted Operating Profit[a] will continue to account for 70% of the overall opportunity.
- Delivery of a threshold level of financial performance will result in a payment of 7.5% of base salary. This is a small change from the FY 2022 scheme where bonus began to accrue from the threshold level of performance. The Committee feels that this change is appropriate in the context of the target that has been set for FY 2023. The level of payout for delivery of target performance across all elements remains unchanged at 50% of base salary.
- There remains a great deal of uncertainty in relation to the cost headwinds the business may face in the coming year. The Committee has therefore decided that targets will be set for the full year but that initially a quarter one incentive target will be put in place. Achievement of this target would accrue a pro-rata bonus based on the target range set out above.
- At the end of the first quarter the Committee will consider whether it is appropriate to revise the targets set for the remainder of the year, which may result in quarterly targets being set throughout the year or a revised target being set for a longer period depending on the circumstances and outlook at the time.
- The Committee feels that this approach will ensure that targets remain appropriately stretching and can take into account the volatility that may impact costs (either way) in the year and particularly in relation to energy.

- Based on current assumptions, an on-target payout over the full year would require a sales performance well ahead of pre-pandemic levels and that a significant proportion of the anticipated cost headwinds of c. £180m will be offset through initiatives to enhance efficiency and productivity. A maximum payment would therefore represent a very strong performance.

  The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:
  – 15% for Guest Health (reputation.com scores and guest complaints).
  – 10% for employee engagement.
  – 5% for Food Safety.

- For FY 2023 the guest health measurement will no longer encompass Net Promoter Score ('NPS'). Over time social media scores have become the most relevant measurement of guest satisfaction and the replacement of NPS also reflects the change in the overall Company guest KPI from NPS to reputation.com scores. The non-financial elements are only payable if a threshold level of financial performance is achieved. For FY 2023 this will be unchanged at 97.5% of Operating Profit.

Consideration was given to the introduction of further ESG measures into the annual bonus plan for FY 2023 and specifically the inclusion of a measure aligned to our sustainability strategy. On balance the Board felt that it would be more appropriate to consider how best such a measure may fit into incentive plans as part of our forthcoming remuneration policy review.

Executive Directors are also aware that the Committee may take into account other factors when assessing if any bonus may be paid as part of our established quality of earnings assessment. In particular this assessment will review the overall financial performance of the Group over the year to ensure that any payout resulting from the approach to target setting above is consistent with overall performance across the year.

Restricted Share Plan ('RSP') award FY 2023 to FY 2025

An RSP award is due to be made in respect of the FY 2023 to FY 2025 period. The Committee has agreed that the award for Executive Directors will remain at 100% of base pay.

In light of the comments raised by some shareholders last year in respect of the CFO's RSP award quantum, I have taken the opportunity as the incoming Remuneration Committee Chair to assess this level of award. When an RSP is introduced, standard practice is to grant 50% of the previous performance tested award. I therefore understand the concern of some shareholders when this was not done for the CFO. The rationale for this decision has been documented in previous reports.

The most important consideration as we plan for FY 2023 is to ensure that the CFO remuneration includes an appropriate level of long-term incentive now, rather than compared with the level two years ago. An RSP grant of 100% of salary (implying a 200% salary Performance Share Plan) for the CFO, is, in my view, a sensible ongoing level for this role. I would ask shareholders to now consider the grant in this context and I hope that you will support the view of the Committee that this level of award is appropriate for a CFO who has been in position for 12 years and who has been (and will continue to be) vital in navigating the business through the challenges it faces.

The Committee has reviewed the performance underpin which it will take into account (amongst other factors) when determining its use of discretion on whether to adjust the number of shares vesting. It concluded that the three elements of the current underpin remain appropriate and requires the Committee to consider the following:

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

The following 'Remuneration at a Glance' section provides a short summary that demonstrates that our overall approach to Executive Remuneration has been and continues to be, measured, well balanced and appropriate.

Amanda Brown
Chair of the Remuneration Committee
6 December 2022

This report has been prepared on behalf of the Board and has been approved by the Board. The report has been prepared in accordance with the Companies Act disclosure regulations (the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013) (the 'Regulations').

a. The Directors use a number of alternative performance measures ('APMs') that are considered critical to aid the understanding of the Group's performance. Key measures are explained on pages 177 to 179 of this report.

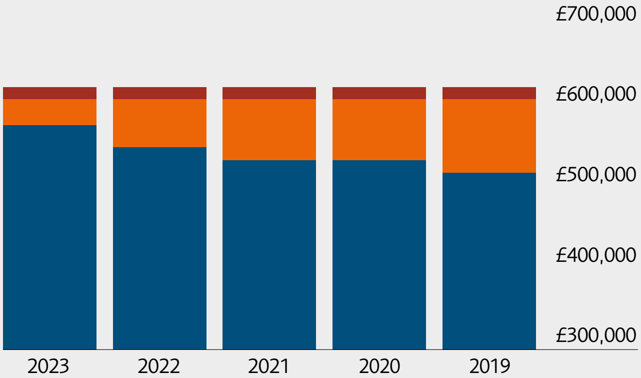
Remuneration at a glance

2022 Outcomes

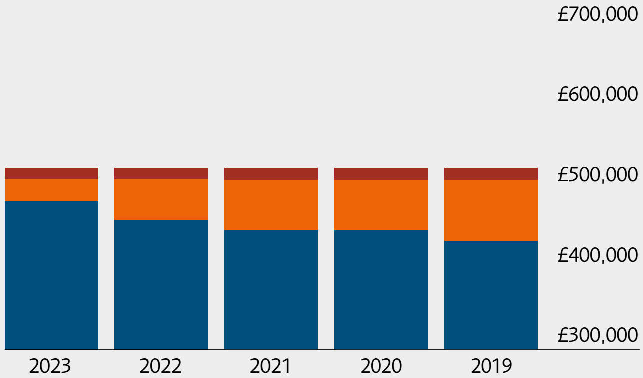
Fixed Pay (Salary, Pension and Benefits)

- Overall fixed pay has not increased since 2019.
- Increases in salary for Executive Directors have been offset entirely by an equal reduction in cash equivalent pension contributions.
- This approach will continue for 2023.

Chief Executive Fixed Pay



Chief Financial Officer Fixed Pay



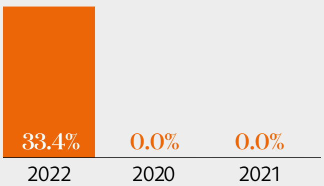
Salary Pension Benefits

Annual Bonus

- LFL Sales growth of 1.1%
- Online Review scores at highest ever level
- Very strong employee engagement scores
- Food safety scores at highest ever level
- FY 22 Operating Profit of £240m
- Achieved 98.4% of Operating Profit bonus target
- Operating Profit broadly at pre-pandemic levels had energy costs remained flat
- 50% of the bonus award is deferred into shares
- Shares released after 12 and 24 months

Overall Outcome

33.4% of salary



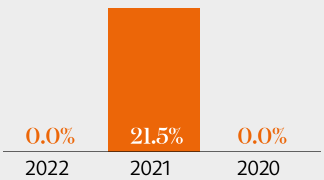
Historical outcomes

2020–2022 PRSP

- PRSP had two measures, Operating Cash Flow and Relative TSR
- Each year of the performance period impacted by Covid
- Overall Operating Cash Flow of £835m was well below the level required for threshold vesting
- TSR also below threshold required for vesting
- 2021 vesting was subject to a share price underpin that is not yet met, therefore shares have not been released to Executive Directors

Overall Outcome

0% vesting



Historical outcomes

Approach for 2023

Components of remuneration

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

Fixed: Salary + Benefits and pension = Fixed total

Variable: Annual bonus + RSP and shares = Variable total

Fixed components – pay

With effect from 1 January 2023, Phil Urban's salary will increase by 5% to £579,000 and Tim Jones' salary will also increase by 5% to £484,500.

Phil Urban Chief Executive	£579,000
Tim Jones Chief Financial Officer	£484,500

The cash equivalent pension contribution for both Executive Directors will be reduced by an amount equal to the increase in base salary.

As a result the cash equivalent pension contribution will be 5.6%.

Variable components

Annual bonus
No change to potential quantum – 100% of salary.

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

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

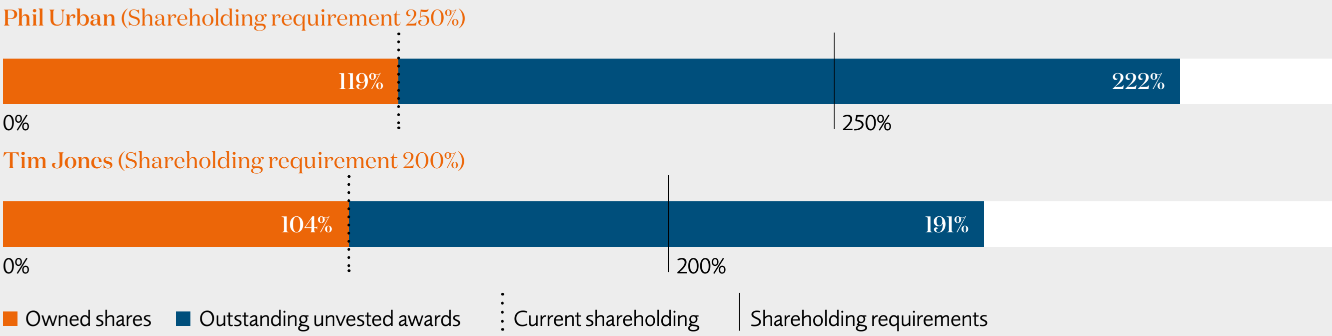
RSP

Award level (Phil Urban and Tim Jones)	100% of salary

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

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

Executive Directors' shareholdings



- Directors are required to retain all vested shares (net of tax) until the share ownership guideline is met
- Post cessation, the shareholding requirement is equal to the shareholding guideline for two years post departure with shares held in a nominee account. Transitional arrangements are in place for existing Executive Directors.

Additional remuneration information

Application of remuneration policy

A key principle of the Group's remuneration policy is that variable short-term remuneration should be linked to the financial performance of the Group and that long-term reward should provide alignment of Executives to shareholders. The charts opposite show the composition of the remuneration of the Chief Executive and Chief Financial Officer at minimum, on-target and maximum levels, including the impact of a 50% increase in share price on the LTIP outcome. The chart also shows FY 2021 and FY 2022 actual outcomes.

The performance scenarios demonstrate the proportion of maximum remuneration which would be payable in respect of each remuneration element at each of the performance levels. In developing these scenarios, the following assumptions have been made:

Minimum

Only the fixed elements of remuneration are payable. The fixed element consists of base salary, benefits and pension. Base salary is the salary effective from 1 January 2023. Benefits are based on actual FY 2022 figures and include company car allowance, healthcare and taxable expenses. Pension is the cash allowance and/or Company pension contribution payable from 1 January 2023.

On-target

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

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

Maximum

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

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

Share price gain

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

Pay ratios and gender pay

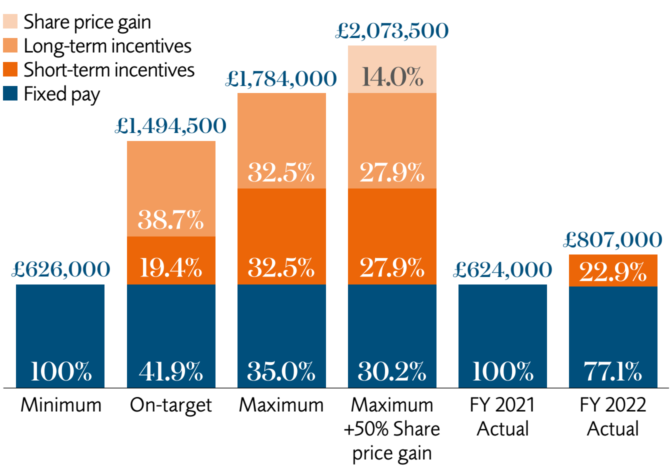
Table 1 on the right sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles.

More detail in relation to the pay ratio calculation can be found on page 17.

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

Gender Pay Gap calculations in 2020 and 2021 were impacted as a result of the Coronavirus Job Retention Scheme, which meant only those working on the snapshot day were included in the calculations (c. 200 employees). The 2022 results are broadly consistent with those seen prior to 2020, although it is encouraging that across all four measures the gap has reduced.

Chief Executive



Chief Financial Officer

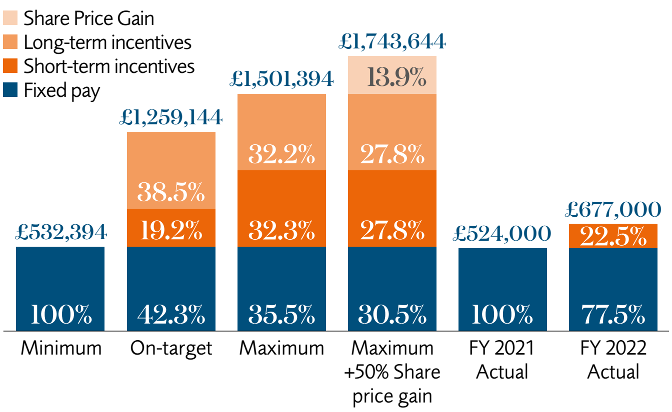


Table 1

	Chief Executive pay ratio		
Financial year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	**53:1**	**47:1**	**45:1**
2021	41:1	38:1	36:1
2020	37:1	35:1	35:1
2019	120:1	112:1	106:1

Table 2

	Gender Pay Gap					
Financial year	**2022 %**	2021 %	2020 %	2019 %	2018 %	2017 %
Mean Pay Gap	**5.6**	20.2	29.3	6.1	7.4	8.1
Median Pay Gap	**2.2**	-13.1	17.3	3.2	4.7	5.2
Mean Bonus Gap	**11.0**	21.0	24.6	33.5	38.5	27.6
Median Bonus Gap	**0.0**	33.3	5.2	15.4	29.2	20.6

Mitchells & Butlers' remuneration principles

When determining Executive Director remuneration policy, the Remuneration Committee addresses each of the factors under Provision 40 of the 2018 UK Corporate Governance Code and these are also reflected in our principles:

Shareholder alignment

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

Competitive

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

Performance-linked

A proportion of an Executive Director's reward is linked to performance, with a clear line of sight between the outcomes of the business and the delivery of shareholder value.

Straightforward

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

These same principles apply throughout the organisation and are adapted as appropriate for specific employee groups with a different emphasis on certain principles in comparison to Executive Directors. This is illustrated in the table on page 97 which sets out remuneration below Executive Director level.

For senior management, a much greater proportion of the overall reward package is performance linked and therefore is variable and at risk, whereas for our hourly paid colleagues a greater weighting applies to the competitive and straightforward principles as these factors are more important to the attraction and retention of these employees.

Below are two practical examples of how the remuneration principles apply to different employee groups:

General Managers

A competitive package is important for this group as they are fundamental to the day-to-day success of the business and the current recruitment market remains challenging in some geographical areas, with a shortage of high-calibre managers. As with Executive Directors, a high proportion of potential reward for this group is based on performance and the overall structure is straightforward to understand. There is a lesser weighting on equity, but all General Managers can participate in any of the all-employee share schemes, subject to qualifying service, thereby building their own stake in the business.

Hourly Paid Employees

The recruitment market has become very challenging for the sector as a result of changes to immigration policy following Brexit. In addition, the Covid-19 pandemic has seen many EU workers return home and some UK workers leave the industry during the long periods of furlough. Therefore, competitive pay remains a priority and, in particular, for skilled kitchen roles where there remains a shortage of high-quality talent and this has resulted in increased rates of pay for this group in particular. Although base pay for our hourly paid team members is not linked to performance, there is a strong link to performance where there are opportunities to earn tips and where a service charge is applied (100% of which is retained by the team with no administration charge), and, more broadly, the good performance of the Company allows for more investment in pay. Pay structures for this group are straightforward and, as with other employees, hourly paid team members can participate in any of the all-employee share schemes, subject to qualifying service.

Alignment of Executive pay to strategy

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

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

Remuneration below Executive Director level

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

<table>
<tr><th>Job Group
(Number of employees)</th><th>Base pay</th><th>Bonus</th><th>Long-term incentives</th><th>All-employee share plans</th></tr>
<tr><td>Executive Directors (2)</td><td rowspan="5">Pay broadly around mid-market levels.

Overall, increases (in percentage terms) consistent across all salaried employee groups.</td><td rowspan="5">Bonus schemes for all schemes align to the business scorecard.

The majority of bonus opportunity is linked to financial performance.</td><td rowspan="3">Measures and targets for long-term incentive plans consistent for all participants.</td><td rowspan="6">All employees can participate in any of the all-employee share schemes, subject to qualifying service, building a stake in the business.</td></tr>
<tr><td>Executive Committee (8)</td></tr>
<tr><td>Senior management (c. 40)</td></tr>
<tr><td>Retail Support Centre (c. 1,050)</td><td rowspan="2"></td></tr>
<tr><td>Retail managers (c. 5,100)</td></tr>
<tr><td>Retail team members (c. 37,000)</td><td>Pay set in line with market requirements and closely monitored.

Base pay for many employees is ahead of the statutory minimums.

Many employees benefit from tips and service charge, and it is Mitchells & Butlers' policy to pass 100% of these earnings on to employees.</td><td colspan="2">Our pay approach is aimed at providing regular and predictable earnings through competitive base pay for our retail team members. This is valued more highly than variable pay elements by retail team members and is in line with our 'competitive' and 'straightforward' remuneration principles.</td></tr>
</table>

Workforce engagement

We welcome and encourage feedback from employees on a broad range of topics including business improvement, engagement and remuneration. This feedback is gathered in a number of ways throughout the year as shown in the illustration below:

Remuneration Committee

Employee survey

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

CEO roadshows

The CEO and CFO hold regular roadshows that allow both support centre colleagues and General Managers an opportunity to discuss business issues and provide feedback.

Employee forum

Elected representatives have direct access to the Executive Committee as part of the forum and where necessary Executive remuneration matters, are brought to the attention of the Remuneration Committee Chair.

Overview of pay and policy decisions

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

Nominated Non-Executive Director

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

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees alongside other workforce-related matters.

Where significant changes are proposed to employment conditions and policies elsewhere in the Group, or there are important employee-related projects underway, these are highlighted for the attention of the Committee at an early stage. Over the course of FY 2022, these updates have focused on employee engagement, the challenges of the current recruitment landscape and strategies to rebuild capability, including the reinvigoration of our internal training and development routes, which also encompass our apprenticeship programmes.

The Committee takes into account the base pay review budget applicable to other employees when considering the pay of Executive Directors. The Committee considers a broad range of reference points when determining policy and pay levels. These include external market benchmarks as well as internal reference points. Any such reference points are set in an appropriate context and are not considered in isolation.

Obtaining and understanding the views of our employees, including in relation to Executive Remuneration, is an important consideration for the Committee when developing and operating our overall approach to remuneration across Mitchells & Butlers. In addition to our approach to communicating with our employees, we also welcome feedback and all employees are invited to take part in our employee engagement surveys. These provide all employees with an opportunity to give anonymous feedback on a wide range of topics of interest or concern to them. The Committee reviews these results and any significant concerns over remuneration would be considered separately by the Committee and, if appropriate, taken into account when determining the remuneration approach and its implementation.

An employee forum is normally held twice every year, which gives an opportunity for employees to ask questions of senior management via elected representatives, and which from FY 2020 has been attended by Dave Coplin. This forum was suspended during the pandemic but resumed in March 2022, with a second forum held in September 2022. The Executive team find these forums very valuable, as the format allows for a more in-depth discussion and understanding that is not possible through other channels such as surveys.

In addition, in his role as the nominated Non-Executive Director, Dave Coplin undertakes a number of activities ranging from visits to our businesses to meet and discuss issues with employees to focus groups with specific employee groups such as Kitchen Managers. Dave meets regularly with members of the Human Resources team and is also supporting the business in how it may utilise technology to better communicate with all employees.

The views of employees in relation to Executive Remuneration have been sought in the past and this issue was not proved to be an area of interest or concern for employees at this time. Our engagement survey has a section that allows employees to anonymously raise any concerns they may have on any matter, and in 2022 there were over 11,000 comments recorded, none of which related to senior management pay. The Committee will continue to explore how best to engage with employees on this issue.

Annual report on remuneration

This section details the remuneration payable to the Executive and Non-Executive Directors (including the Chairman) for the financial period ended 24 September 2022 and how we intend to implement our remuneration policy for FY 2023. This report, along with the Chair's annual statement, will be subject to a single advisory vote at the 2023 AGM.

The Committee are cognisant of all guidance issued by institutional shareholders and advisory agencies and take this into account during the year based on the guidance in place at the start of our financial year. It is noted that guidance is regularly updated, and any changes will be taken into consideration in the next relevant reporting period.

Committee terms of reference

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

The Committee's main responsibilities include:

- determining and making recommendations to the Board on the Company's executive remuneration policy and its cost;
- taking account of all factors necessary when determining the policy, the objective of which is to ensure that the remuneration policy promotes the long-term success of the Company;
- determining the individual remuneration packages of the Executive Directors and other senior Executives (including the Group General Counsel and Company Secretary and all direct reports to the Chief Executive) and, in discussion with the Executive Directors, the Company Chairman;
- having regard to the pay and employment conditions across the Company when setting the remuneration of individuals under the remit of the Committee; and
- aligning Executive Directors' interests with those of shareholders by providing the potential to earn significant rewards where significant shareholder value has been delivered.

Committee membership and operation

Committee members and their respective appointment dates are detailed in the table below.

Name	Date of appointment to the Committee
Amanda Brown[a]	4 July 2022
Bob Ivell	11 July 2013
Dave Coplin[a]	29 February 2016
Josh Levy	20 July 2017
Jane Moriarty[a]	27 February 2019

a. Independent Non-Executive Directors.

Committee activity during the year

Following Imelda Walsh's decision to step down from the Board and Chair of the Remuneration Committee in July 2021 and until the appointment of Amanda Brown in July 2022, remuneration matters were dealt with at the main Board. Since July 2022 the Committee met once. Key remuneration items considered over the year were as follows:

October 2021 (Main Board)	• CEO pay review • Executive Committee pay review • FY 2022 Annual bonus targets
November 2021 (Main Board)	• FY 2019 PRSP vesting outcome • FY 2022 Restricted Share Plan award • Employee engagement targets • Executive Director and Executive Committee pay review • Employee engagement update
March 2022 (Main Board)	• All employee share schemes • Restricted Share Plan approach for FY 2023
April 2022 (Main Board)	• Approach to 2019 PRSP underpin • Restricted Share Plan approach for FY 2023 • Employee engagement update
September 2022 (Committee)	• FY 2023 Annual Bonus Plan structure • Employee conditions update • Governance update • All employee Share Scheme rules review

Advice to the Committee

The Committee received advice from PwC LLP ('PwC') during the year. PwC were appointed following a competitive tender process during 2018. PwC are signatories to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that Code. Total fees payable in respect of remuneration advice to the Committee in the reporting year totalled £8,375[b] and were charged on a time and materials basis.

Advice was also received from the Company's legal advisers, Freshfields Bruckhaus Deringer LLP, on the operation of the Company's employee share schemes and on corporate governance matters. Clifford Chance LLP also provided advice in relation to pension schemes.

The Committee is satisfied that the advice received from its advisers was objective and independent and that the PwC engagement partner and the team that provide remuneration advice to the Committee do not have any connections that may impair their independence.

Members of management including Susan Martindale, the Group HR Director, and Craig Provett, the Director of Compensation and Benefits, are invited to attend meetings on remuneration matters where appropriate. They are not present when matters affecting their own remuneration arrangements are discussed. The Company Chairman does not attend Board or Committee meetings when his remuneration is under review.

Phil Urban and Tim Jones were present at meetings where the Company's long-term and short-term incentive arrangements and share schemes were discussed. However, each declared an interest in the matters under review and did not vote on their own arrangements.

b. Fees are shown net of VAT. 20% VAT was paid on the advisers' fees shown above.

Statement of voting at the AGM

At the last AGM (held on 25 January 2022), a resolution on the annual report on remuneration was subject to an advisory vote. The table below sets out details of this advisory vote and the outcome of the vote on our remuneration policy at the 2021 AGM:

	Votes cast	Votes for[a]	%	Votes against	%	Votes withheld[b]
Approval of annual report on remuneration	528,299,309	414,751,850	78.51	113,547,459	21.49	100,541
Approval of remuneration policy at 2021 AGM	516,340,056	425,892,672	82.48	90,447,384	17.52	61,932

a. The 'For' vote includes those giving the Company Chairman discretion.
b. A vote withheld is not a vote in law and is not counted in the calculation of the votes 'For' or 'Against' the resolution.

Votes 'For' and 'Against' are expressed as a percentage of votes cast.

Pay outcomes

The tables and related disclosures set out on pages 99 to 103 on Directors' remuneration, deferred annual bonus share awards ('STDIP'), PRSP and RSP share options, Share Incentive Plan and pension benefits have been audited by KPMG LLP.

Directors' remuneration

The tables below set out the single figure remuneration received by the Executive Directors and the Non-Executive Directors during the reporting year.

Executive Directors (audited by KPMG)

	Basic salaries £000		Taxable benefits[a] £000		Short-term incentives £000		Pension-related benefits[b] £000		Long-term incentives £000		Other[c] £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2022	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021
Phil Urban	**546**	534	**15**	14	**182**	–	**64**	76	**–**	–	**3**	3	**810**	627	**628**	627	**182**	–
Tim Jones	**457**	447	**15**	14	**152**	–	**53**	63	**–**	–	**2**	2	**679**	526	**527**	526	**152**	–
Sub-total Executive Directors	**1,003**	981	**30**	28	**334**	–	**117**	139	**–**	–	**5**	5	**1,489**	1,153	**1,155**	1,153	**334**	–

Non-Executive Directors (audited by KPMG)

	Fees £000		Taxable benefits[d] £000		Short-term incentives £000		Pension-related benefits £000		Long-term incentives £000		Other £000		Total remuneration £000		Total fixed pay £000		Total variable pay £000	
	FY 2022	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021	**FY 2022**	FY 2021
Bob Ivell	**284**	284	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**285**	284	**285**	284	**–**	–
Ron Robson[e]	**–**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		45		45	**–**	–
Eddie Irwin	**53**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	53	**53**	53	**–**	–
Colin Rutherford[f]	**–**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	53	**–**	53	**–**	–
Imelda Walsh[f]	**–**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	53	**–**	53	**–**	–
Josh Levy	**53**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	53	**53**	53	**–**	–
Dave Coplin	**66**	66	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**66**	66	**66**	66	**–**	–
Keith Browne	**53**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**53**	53	**53**	53	**–**	–
Susan Murray[g]	**22**	66	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**22**	66	**22**	66	**–**	–
Jane Moriarty	**76**	56	**0.5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**76.5**	56	**76.5**	56	**–**	–
Amanda Brown[h]	**15**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**15**	–	**15**	–	**–**	–
Sub-total Non-Executive Directors	**622**	782	**1.5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**623.5**	782	**623.5**	782	**–**	–
Total Executive Directors and Non-Executive Directors	**1,625**	1,763	**31.5**	28	**334**	–	**117**	139	**–**	–	**5**	5	**2,112.5**	1,935	**1,778.5**	1,935	**334**	–

a. Taxable benefits for the year comprised car allowance, healthcare and taxable expenses.
b. Based on the value of supplements paid in lieu of contributions to the Company Scheme.
c. Includes free shares awarded under the SIP.
d. Taxable benefits for Non-Executive Directors include cash payments made or accounted for by the Company relating to the reimbursement of expenses (and the value of personal tax on those expenses).
e. Ron Robson stepped down from the Board on 31 July 2021.
f. Imelda Walsh and Colin Rutherford stepped down from the Board on 19 July 2021.
g. Susan Murray stepped down from the Board on 25 January 2022.
h. Amanda Brown joined the Board on 4 July 2022.

Annual bonus

Annual performance bonus and STDIP

The annual bonus and STDIP operate as set out in our remuneration policy which is available on the Company's website. Details of the measures and targets applying to the 2022 plan are set out below[b]:

	Threshold – 95% of Target (% of salary payable)	Target (% of salary payable)	Maximum – 103% of Target (% of salary payable)	Outcome (% of salary payable)
Adjusted Operating Profit (70%) (Periods 8-13)	£159.3m (0%)	£167.7m (21.5%)	£172.7m (43%)	£165m[a] (14.6%)

	Threshold	Target	Calculation of outcome (% of salary payable)	Performance (Score)	Outcome (% of salary payable)
Guest Health (15%)					
Net Promoter Score ('NPS')	55.0	60.0	Each element is scored 1 if better than target, 0 if between threshold and target, and -1 if below threshold. • If the sum of these scores is +3 then maximum bonus is paid (15%). • If the sum of these scores is +1 or +2 then an on-target payment would be made (7.5%). • If the sum of these scores is 0 then threshold bonus is paid (3.75%).	50.5 (-1)	0 (3.75%)
Social Media Score	4.2	4.3		4.32 (+1)	
Complaints Ratio	0.80	0.70		0.79 (0)	

	Threshold (% of salary payable)	Target (% of salary payable)	Maximum (% of salary payable)	Outcome (% of salary payable)
Employee Engagement (10%)[a]	78.5 (2.5%)	79.5 (5%)	80.5 (10%)	80.8 (10%)
Food Safety (5%)		98.5% (5%)		99.5% (5%)

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

Financial measures

Operating Profit (Outcome 14.6% out of 43%)

In the hope of a more stable FY 2022, the Board set Operating Profit targets at the start of the financial year for the Company incentive schemes. By the end of the first quarter, a number of things had changed. The emergence of the Omicron variant had a significant impact on Christmas trading, the cost headwinds the business was facing were far in excess of those anticipated at the start of the financial year and it was also clear that consumer confidence would be weakened as a result of much higher inflation and, in particular, increases in household energy costs.

At the beginning of the second quarter, the Board reviewed performance and, taking into account the significant shift in the financial outlook concluded that the targets set were no longer appropriate for the c. 6,000 employees across the Group that we were trying to incentivise, at the same time highlighting a significant retention and motivation risk.

The Board therefore determined it would be appropriate to set a target for the final eight periods of the year (April to end September) but with a corresponding reduction in bonus opportunity. This approach applied to all those employees eligible to participate in an incentive plan and included c. 5,000 critical frontline managers as well as the Executive Team and Executive Directors.

For the Executive Directors, this meant that the financial performance in the first five periods of the financial year was measured against the original targets set in respect of this period. As these targets were not achieved, no bonus will be awarded in respect of this period.

The Operating Profit target for the remainder of the financial year was set following a reforecast of the business in the light of the escalating cost pressures, notably in food and energy costs. This resulted in an Operating Profit target of £167.7m in respect of this period. The Board determined that this pro-rata target was at least as challenging as the full year target and provided a fair and proportionate level of incentive for Executives in what would be a very challenging year.

As this target now covered a part year, the overall earnings opportunity for this element was reduced accordingly on a pro-rata basis from 70% to 43% of base pay.

The same performance range applied to the revised target with earnings beginning to accrue at 95% of the target and maximum at 103% of target.

The same approach to annual incentives was applied to all retail support centre colleagues. For frontline management employees a pro-rata approach was put in place on the same basis. In addition, where any bonus was earned by any employees in this group against the earlier period's targets, this was also paid.

The overall Operating Profit outcome over the financial year was £240m, and £165m for the period between April and the end of September equivalent to 98.4% of the eight period target resulting in a bonus payment equivalent to 14.6% of salary out of 43%) for Executive Directors.

b. The measures, targets and outcomes are not audited.

Guest Health (3.75% out of 15%)
The measurement of Guest Health comprises a combination of three elements, Net Promoter Score ('NPS'), a combined social media score ('reputation.com') and guest complaints.

For FY 2022 the NPS target was set at 60, broadly equivalent to the scores seen prior to the pandemic, however the overall score for this element fell short of this demanding target at 50.5.

The target for the reputation.com score was set at 4.3, which would represent a highest ever score and a further improvement on the FY 2021 outcome of 4.18. The reputation.com measure has become the primary indicator of guest satisfaction in recent years and provides the strongest correlation to sales performance. Good progress was made over FY 2022 and the overall score was 4.32, just ahead of the target set by the Committee.

The guest complaints metric measures the proportion of complaints received for every 1,000 meals served. The target for this measure was set at 0.70. The overall outcome of 0.80 fell very slightly short of this demanding target but did meet the threshold level of performance required under this element.

Based on combined scores across three guest health metrics, the overall outcome is at the threshold level of performance and, as a result, a payout equivalent to 3.75% (out of 15%), was awarded to Executive Directors under this element.

Employee Engagement (10% out of 10%)
During FY 2022 the business reverted back to undertaking two engagement surveys each year. In June employees are able to provide feedback through a comprehensive survey, 'YourSay' and a shorter pulse survey takes place in February. Around two thirds of employees participate in the survey which provides valuable feedback, not only through the scoring mechanism but also from free text comments provided by employees. This year over 11,000 comments were received in the main YourSay survey, a summary of which was presented to the Remuneration Committee.

A clear correlation between employee engagement scores, guest satisfaction and, in turn, sales performance has been proven over a number of years. Throughout FY 2022 our teams have faced many challenges, including supporting the recovery of the business in the early part of the financial year, ongoing shortages of team members and difficulties in the supply chain which ultimately impact on our guests and therefore can be challenging for our teams to manage at the frontline.

The target for FY 2022 was based on a combined score with a greater weighting placed on the more comprehensive YourSay score. The final outcome was a combined score of 80.8, which is the second highest ever combined score, just very slightly behind the score achieved in 2019 (81.3) and above the target required for a maximum payment (80.5).

As a result, a payment equivalent to 10% was awarded to Executive Directors under this element.

Food Safety (5% out of 5%)
Food safety will always be a priority for the business, which is why a measure was introduced that is based on the number of businesses that achieve either a 4 or 5 rating in the independently operated National Food Hygiene Rating System ('NFHRS'). The stretching target set for 2022 was for 98.5% of businesses (of which we have 1,636) to achieve a score of either 4 or 5 over the year and the actual result was that 99.5% of businesses achieved this level of performance and the Group retained its second place in the league table for large pub and restaurant groups.

As an additional check, the Committee has also taken into account overall workplace safety which again has been strong in all areas.

The structure for this element is such that payout is based entirely on achieving the target set, therefore a payout equivalent to 5% was triggered against this element.

Overall outcome
The total bonus awarded to Executive Directors is 33.4% of salary, resulting in bonus payments of £182,241 and £152,491 to Phil Urban and Tim Jones respectively.

In line with our policy, half of any bonus award will be deferred into shares under the Short Term Deferred Incentive Plan ('STDIP'), which will be released in two equal amounts after 12 and 24 months. Bonus Share awards are subject to continued employment. These shares must be retained until the shareholding requirement is met and are subject to a post-cessation holding period.

Long-term incentives vesting during the year
FY 2020 PRSP vesting
During FY 2020 share awards were made to Phil Urban and Tim Jones under the terms of the PRSP to the value of 200% and 140% of their respective salaries.

The 2020/22 PRSP performance condition had two independent elements, Operating Cash Flow before separately disclosed items (75% weighting and hereafter referred to as Operating Cash Flow) and relative TSR performance against a group of sector peers (25% weighting).

2020/22 PRSP – performance conditions	Threshold (25%) to maximum (100%) range[a]	Actual	% vesting
Operating Cash Flow (75% of the award)	£1,509m to £1,539m	£835m	Nil
Total Shareholder Return relative to peer group[b] (25% weighting)	25% would vest for matching the median of the group. 100% would vest for TSR performance that exceeds the median by 8.5% p.a. subject to a share price underpin	-41.3%	Nil

a. Between threshold and maximum, vesting under each measure is on a straight-line basis. Below threshold the award will lapse.
b. Comprising the constituents of the All Share Travel and Leisure Group.

Long-term incentive awards made during FY 2022

An award for FY 2022/24 was made to the Chief Executive and the Chief Financial Officer in November 2021 in accordance with the rules of the RSP and within the approved remuneration policy.

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

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

Full details of awards made to Executive Directors under the RSP are set out below (audited by KPMG):

Executive Directors	Nil Cost Options awarded during the year to 24/09/22	Basis of award (% of basic annual salary)	Award date	Market price per share used to determine the award (p)[a]	Actual/ planned vesting date	Latest lapse date[b]	Face value[c] £
Phil Urban	226,810	100	Nov 2021	236.1	Nov 2024	Feb 2025	554,324
Tim Jones	189,750	100	Nov 2021	236.1	Nov 2024	Feb 2025	463,749
Total	**416,560**						**1,018,073**

a. Market price is the average of the middle market quotation on the three days prior to the award being made.
b. The date on which vested shares will lapse if not exercised.
c. Face value is the maximum number of shares that may vest (excluding any dividend shares that may accrue) multiplied by the middle market quotation of a Mitchells & Butlers share on the day the award was made (244.4p).

All-employee SIP

The table below shows the awards made to Directors under the free share element of the SIP during the year (audited by KPMG).

SIP

Executive Director	Shares awarded during the year to 24/9/22	Award date	Market price per share at award (p)	Normal vesting date	Market price per share at normal vesting date (p)	Lapsed during period
Phil Urban	1,455	20/6/22	206.4	20/6/25	n/a	–
Tim Jones	1,217	20/6/22	206.4	20/6/25	n/a	–
Total	**2,672**					–

Directors' entitlements under the Partnership Share element of the SIP are set out as part of the Directors' interests table on page 103.

PRSP, RSP, STDIP and SAYE

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

Executive Director	Scheme	Number of shares at 25 September 2021	Granted during the period	Lapsed during the period	Exercised during the period	Number of shares at 24 September 2022
Phil Urban	PRSP	668,835	–	326,239	–	342,596
	RSP	173,807	226,810	–	–	400,617
	STDIP	26,032	–	–	26,032	–
	SAYE	15,142	–	–	8,111	7,031
	Total	**883,816**	**226,810**	**326,239**	**34,143**	**750,244**
Tim Jones	PRSP	391,575	–	190,977	–	200,598
	RSP	145,407	189,750	–	–	335,157
	STDIP	21,775	–	–	21,775	–
	SAYE	8,111	–	–	8,111	–
	Total	**566,868**	**189,750**	**190,977**	**29,886**	**535,755**

Directors' interests

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

This requires the Chief Executive to accumulate Mitchells & Butlers shares to the value of a minimum of 250% of salary (200% of salary for the CFO) through the retention of shares arising from share schemes (on a net of tax basis) or through market purchases. Phil Urban's shareholding at 24 September 2022 was 119.3% of his basic annual salary (2021 188.5%) and Tim Jones's shareholding was 109.6% of his basic annual salary (2021 167.4%) and as a result the shareholding guideline is not met at this time. In line with the remuneration policy, no shares can be sold until the guideline is met and post-cessation holding requirements are in place.

Executive Directors' shareholdings are calculated based on the average share price over the final three months of the financial period; for FY 2022 this was 173.1p (FY 2021 277.4p). Prior to the Covid-19 pandemic, based on the projected outcomes for both short-term and long-term incentive plans it was anticipated that both Executive Directors would have met the shareholding requirement by the end of 2020.

The interests of the Directors in the ordinary shares of the Company as at 25 September 2021 and 24 September 2022 are as set out below:

	Wholly-owned shares without performance conditions[a]		Unvested shares with performance conditions		Unvested shares without performance conditions[b]		Unvested options without performance conditions[c]		Unvested options with performance conditions/underpins[d]		Vested but unexercised options		Total shares/options	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive Directors														
Phil Urban	**397,775**	363,868	**–**	–	**–**	26,032	**7,031**	15,142	**743,213**	842,642	**–**	–	**1,130,180**	1,247,684
Tim Jones	**292,092**	270,404	**–**	–	**–**	21,775	**–**	8,111	**535,755**	536,982	**–**	–	**827,847**	837,272
Non-Executive Directors														
Bob Ivell	**17,222**	17,222	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,222**	17,222
Eddie Irwin	**43,883**	43,883	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43,883**	43,883
Dave Coplin	**2,836**	2,836	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,836**	2,836
Josh Levy	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Keith Browne	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Susan Murray[e]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Jane Moriarty	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Amanda Brown	**–**		**–**		**–**		**–**		**–**		**–**		**–**	
Total	**753,808**	698,213	**–**	–	**–**	47,807	**7,031**	23,253	**1,278,968**	1,379,624	**–**	–	**2,039,807**	2,148,897

a. Includes Free Shares and Partnership Shares granted under the SIP.
b. Deferred bonus awards granted under the STDIP.
c. Options granted under the Sharesave as detailed in the table on page 102.
d. Options granted under the PRSP or RSP as detailed in the table on page 102.
e. Susan Murray stepped down from the Board on 25 January 2022.

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

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

Phil Urban and Tim Jones acquired 217 and 218 shares respectively under the Partnership Share element of the Share Incentive Plan between the end of the financial period and 6 December 2022. There have been no changes in the holdings of any other Directors since the end of the financial period.

None of the Directors has a beneficial interest in the shares of any subsidiary or in debenture stocks of the Company or any subsidiary.

The market price per share on 24 September 2022 was 151.6p and the range during the year to 24 September 2022 was 266.8p to 149.1p per share.

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

Fees for external directorships

No external non-executive directorships were held by either Executive Director during the year to 24 September 2022.

Payment for loss of office

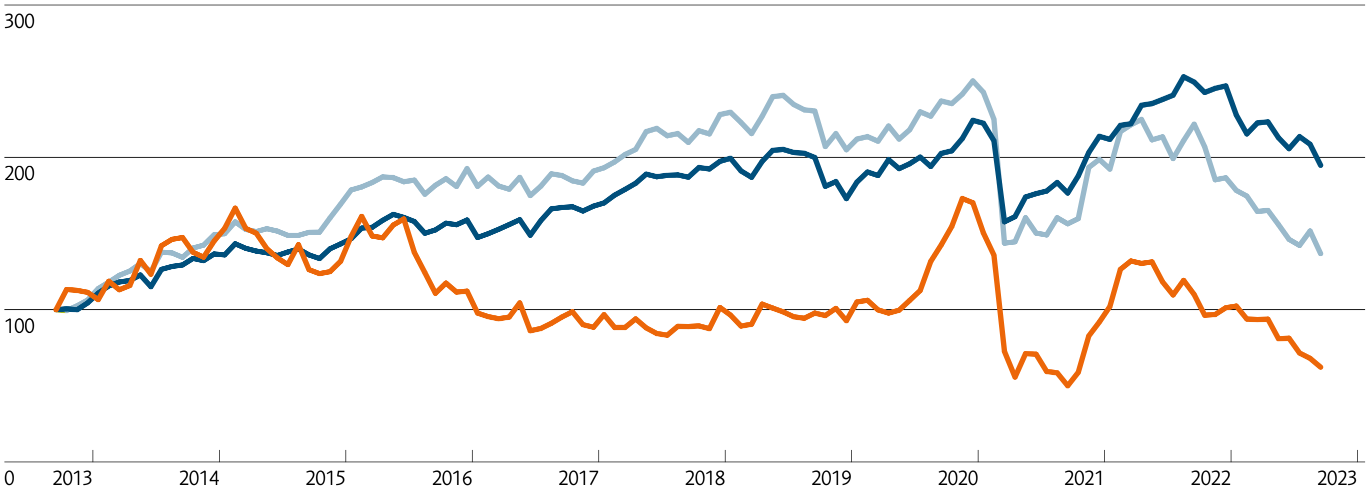
No payments for loss of office were made in the year ended 24 September 2022.

Payments to past Directors

No payments were made to any past Directors in the year ended 24 September 2022.

Total shareholder return from September 2012 to September 2022 (rebased to 100)

This graph shows the value, by 24 September 2022, of £100 invested in Mitchells & Butlers plc on 24 September 2012, compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Travel and Leisure index.



Source: Datastream (Thomson Reuters)

CEO earnings history

Year ended	28/09/13	27/09/14	26/09/15	24/09/16	30/09/17	29/09/18	28/09/19	26/09/20	25/9/21	**24/9/22**
Phil Urban										
Single figure remuneration (£000)	–	–	–	613	770	819	1,684	553	627	**810**
Annual bonus outcome (% of max)	–	–	–	–	28	39	82	–	–	**33**
LTIP vesting outcome (% of max)	–	–	–	–	–	–	47.5	–	–	**–**
Alistair Darby										
Single figure remuneration (£000)	982[a]	642	878	–	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	71.0	–	–	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	n/a	n/a	19.0	–	–	–	–	–	–	**–**
Bob Ivell										
Single figure remuneration (£000)	69[b]	–	–	–	–	–	–	–	–	**–**
Annual bonus outcome (% of max)	n/a[c]	–	–	–	–	–	–	–	–	**–**
LTIP vesting outcome (% of max)	n/a[c]	–	–	–	–	–	–	–	–	**–**

a. Alistair Darby formally took up the position of CEO on 12 November 2012 following a short period of induction and handover. The figure shown reflects the date of his appointment to the Board (8 October 2012).
b. Figure shown is up to and including 11 November 2012 as Bob Ivell remained Executive Chairman to this date.
c. The Director was not a participant in the plan.

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

	2022			2021		
	Salary/Fees	**Bonus**	**Benefits**	Salary/Fees	Bonus	Benefits
Average employee	**5.6%**	**32.2%**	**-14.0%**	1.2%	81.6%	6.3%
Executive Directors						
Phil Urban	**2.2%**	**100.0%**	**3.1%**	0.00%	0.00%	-1.4%
Tim Jones	**2.2%**	**100.0%**	**5.9%**	0.00%	0.00%	-3.3%
Non-Executive Directors						
Bob Ivell	**0.0%**	**0.0%**	**-60.4%**	0.0%	0.0%	-25.4
Eddie Irwin	**0.0%**	**0.0%**	**0.0%**	0.0%	0.0%	0
Dave Coplin	**0.0%**	**0.0%**	**-93.2%**	0.0%	0.0%	-74.0
Josh Levy	**0.0%**	**0.0%**	**-100.0%**	0.0%	0.0%	225.1
Keith Browne	**0.0%**	**0.0%**	**0.0%**	0.0%	0.0%	-59.2
Jane Moriarty	**34.8%**	**0.0%**	**-54.3%**	24.5%	0.0%	443.9
Amanda Brown	**100.0%**	**0.0%**	**0.0%**	n/a	n/a	n/a

Salaries and fees are based on rates at the year-end date on a full time equivalent ('FTE') basis. The increase in fees for Jane Moriarty reflects the additional fee received as Chair of the Audit Committee. Hourly paid employees do not participate in any bonus scheme and in most cases are not eligible for taxable benefits. The figures shown for these elements are based on the year-on-year change for eligible employees.

The figures for Executive Directors do not include LTIP awards or pension benefits that are disclosed in the single figure table. The benefit figures for Non-Executive Directors relate to taxable expenses as detailed in the single figure table on page 99.

Pay ratios

The table below sets out the Chief Executive pay ratio at the median, 25th and 75th percentiles for 2022. Data is also presented for 2018 as Mitchells & Butlers has disclosed the pay ratio between the Chief Executive and the median pay of other employees for the last four years, despite not needing to comply with this requirement until the 2020 Annual Report.

	Chief Executive pay ratio			
Financial year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	**Option C**	**53:1**	**47:1**	**45:1**
2021	Option C	41:1	38:1	36:1
2020	Option C	37:1	35:1	35:1
2019	Option C	120:1	112:1	106:1
2018	Option C	61:1	58:1	52:1

The lower quartile, median and upper quartile employees were calculated based on full-time equivalent base pay data as at 24 September 2022. This calculation methodology was selected as the data was felt to be the most accurate way of identifying the best equivalents of P25, P50 and P75 and, therefore, the most accurate measurement of our pay ratios. Of the three allowable methodologies under the legislation, this method is classed as 'Option C'. Option A was considered but given the high levels of team member turnover, it was felt more appropriate to adopt the approach set out above.

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

Pay details for the individuals are set out below:

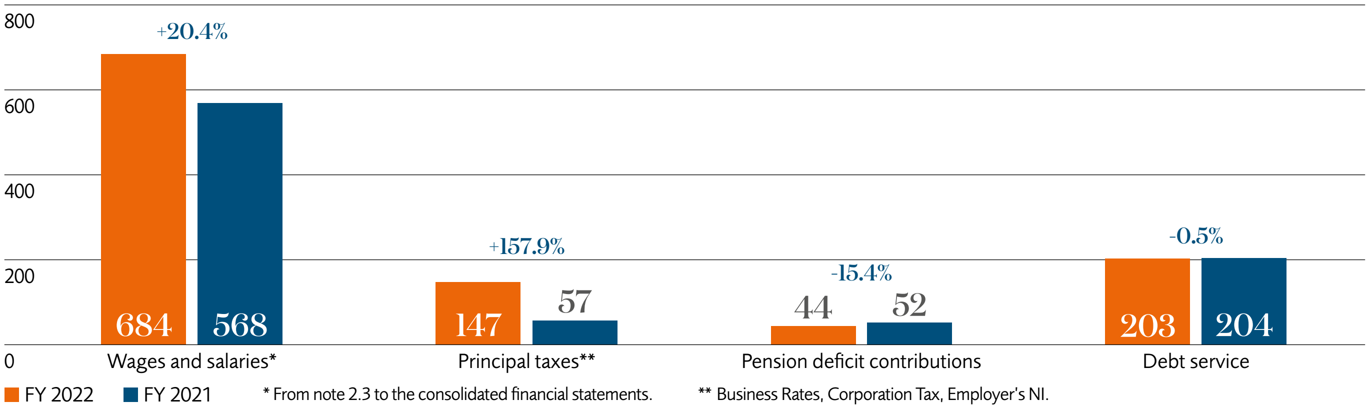
	Chief Executive (£)	P25 (lower quartile) (£)	P50 (median) (£)	P75 (upper quartile) (£)
Salary	545,694	15,161	17,290	17,271
Total pay	806,808	15,161	17,290	17,778

The Chief Executive's base salary increased by 3% from 1 January 2022 but was offset by an equal reduction in pension contributions compared. This compares to an overall increase in employee pay of over 6%. The ratio between the base pay of the Chief Executive and the base pay of employees at each quartile has reduced slightly as a result. On a total pay basis, the ratio of workforce pay to the Chief Executive's total pay has increased, reflecting the higher levels of variable pay from the annual bonus plan. The Committee believes that the ratio is broadly consistent with that of other organisations in hospitality and retail. The overall trend in the median ratio aligns with the movement in the single total figure of remuneration over time.

Hourly-paid employees do not participate in the annual bonus plan, whereas salaried employees do participate in an annual bonus plan (c. 6,000 employees). The median pay ratio is consistent with pay and progression policy for UK employees. More broadly, pay in the hospitality sector is lower than many other sectors and this will be an influencing factor in the overall pay ratio, despite significant increases in pay rates over the last few years.

Relative importance of spend on pay £m

Figures shown for wages and salaries consist of all earnings, including bonus. In FY 2022, £1.5m (0.1%) was paid to Executive and Non-Executive Directors (2021 £1.1m (0.1%)).



* From note 2.3 to the consolidated financial statements.

** Business Rates, Corporation Tax, Employer's NI.
There were no shareholder dividends or share buybacks in FY 2022.

Details of service contracts and letters of appointment

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

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

a. Phil Urban became Chief Executive and joined the Board on 27 September 2015. His continuous service date started on 5 January 2015, the date on which he joined the Company as Chief Operating Officer.

Non-Executive Directors
Non-Executive Directors, including the Company Chairman, do not have service contracts but serve under letters of appointment which provide that they are initially appointed until the next AGM when they are required to stand for election. In line with the Company's Articles of Association, all Directors, including Non-Executive Directors, will stand for re-election at the 2023 AGM, apart from Amanda Brown who is standing for election. This is also in line with the provisions of the 2018 UK Corporate Governance Code. Non-Executive Directors' appointments are terminable without notice and with no entitlement to compensation. Payment of fees will cease immediately on termination.

Copies of the individual letters of appointment for Non-Executive Directors and the service contracts for Executive Directors are available at the Registered Office of the Company during normal business hours and on our website. Copies will also be available to shareholders to view at the 2023 AGM.

Implementation of remuneration policy in FY 2023
Fixed Pay (Base Pay, Pensions and Benefits)
Fixed pay for Executive Directors has remained unchanged since 2019 and will not increase in 2023.

The current level of inflation is putting pressure on pay increases. Overall pay increases have been 6.3% over the year with hourly paid frontline employees who are typically the lowest paid employees in the Group, seeing the largest increases. It is anticipated that pay for frontline workers in the coming year will again be at least at the level seen in FY 2022.

With effect from 1 January 2023 Phil Urban's salary will increase to £579,000 (5%) and Tim Jones to £484,500 (5%). Their salaries were last increased in January 2022. In line with our aim to reduce pension allowances for Executive Directors to the average employee contribution, increases in base pay will be entirely offset by an equal reduction in the cash equivalent pension contribution. Therefore, the pension allowance paid to Executive Directors will reduce to 5.6% and we anticipate that alignment will be achieved in FY 2024 in line with the approach we communicated in our remuneration policy.

Annual Bonus
The Committee has determined that the annual bonus scheme for FY 2023 will be the broadly same as that in place for FY 2022, and will be structured as follows:

- The maximum earnings opportunity will remain at 100% of base salary.
- Adjusted Operating Profit[a] will continue to account for 70% of the overall opportunity.
- Delivery of a threshold level of financial performance will result in a payment of 7.5% of base salary. This is a small change from the FY 2022 scheme where bonus began to accrue from the threshold level of performance. The Committee feels that this change is appropriate in the context of the target that has been set for FY 2023. The level of payout for delivery of target performance across all elements remains unchanged at 50% of base salary.
- There remains a great deal of uncertainty in relation to the cost headwinds the business may face in the coming year. The Committee has therefore decided that targets will be set for the full year but that initially a quarter one incentive target will be put in place. Achievement of this target would accrue a pro-rata bonus based on the target range set out above.
- At the end of the first quarter the Committee will consider whether it is appropriate to revise the targets set, which may result in quarterly targets being set throughout the year or a revised target being set for a longer period depending on the circumstances and outlook at the time.
- The Committee feels that this approach will ensure that targets remain appropriately stretching and can take into account the volatility that may impact costs in the year and particularly in relation to energy.
- Based on current assumptions, an on-target payout over the full year would require a sales performance well ahead of pre-pandemic levels and that a significant proportion of the anticipated cost headwinds of c. £180m will be offset through initiatives to enhance efficiency and productivity. A maximum payment would therefore represent a very strong performance.
- The remaining 30% of the annual bonus plan will be allocated against the business scorecard as follows:
  - 15% for Guest Health (reputation.com scores and guest complaints).
  - 10% for employee engagement.
  - 5% for Food Safety.
- For FY 2023 the guest health measurement will no longer encompass Net Promoter Score ('NPS'). Over time social media scores have become the most relevant measurement of guest satisfaction and the replacement of NPS also reflects the change in the overall Company guest KPI from NPS to reputation.com.
- The non-financial elements are only payable if a threshold level of financial performance is achieved. For FY 2023 this will be unchanged at 97.5% of Operating Profit.
- Targets are not being disclosed on the basis that they are considered commercially sensitive but will be disclosed in next year's report.

Executive Directors are also aware that the Committee may take into account other factors when assessing if any bonus may be paid as part of our established quality of earnings assessment. In particular this assessment will review the overall financial performance of the Group over the year to ensure that any payout resulting from the approach to target setting above is consistent with overall performance across the year.

RSP award FY 2023/25
An RSP award is due to be made in respect of the FY 2023/25 period. The Committee has agreed that the award for Executive Directors will remain at 100% of base pay.

The Committee has reviewed the performance underpin which it will take into account (amongst other factors) when determining its discretion to adjust the number of shares vesting.

It concluded that the three elements of the current underpin remain appropriate and requires the Committee to consider the following:

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

Share Plan Rules Renewal
The Short Term Deferred Incentive Plan, Sharesave Plan and Share Incentive Plan will be renewed at the 2023 AGM as their 10-year life will be expiring in January 2023. There are no material changes to the rules and the plans will continue to operate as they do currently. Full details will be set out in the AGM notice of meeting accompanying this Annual Report.

Non-Executive Directors' fee review
The Chairman's fee was last increased in January 2015 and Non-Executive Director fees were last increased in January 2019. As detailed in the corporate governance section of this report, the Chairman's fee will increase by 4% to £296,000 per annum and the base fee for Non-Executive Directors will increase by 4% to £55,000 per annum with effect from 1 January 2023. The fee paid to Non-Executive Directors for chairing a Committee, acting as the nominated Director for employee voice, or for the role of Senior Independent Director will also increase by 4% to £13,500 per annum.

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 177 to 179 of this report.