OUR PURPOSE

To be the host of life's memorable moments

Welcome to Mitchells & Butlers
Go to page 5

Chairman's statement

"During the 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 relevant."

Over the last few years we have responded professionally and energetically to the macro events we have been presented with. We have devoted our time to managing the factors that were in our gift to control to mitigate these challenges and, because of this, we now emerge a fundamentally more efficient business.

We are well positioned to benefit now that the macro issues are starting to subside, with inflationary cost headwinds beginning to abate. This combined with our focus on driving both sales growth and efficiencies should help us start to rebuild our margins to pre-pandemic levels.

This year our sales growth has remained ahead of the market, with our guest scores at record highs. This strong performance, coupled with the addition of Ego Restaurants into our stable of brands, means that the outlook for FY 2024 is positive with the opportunity to further outperform the sector and grow market share. Navigating the last three years has been hugely challenging for everyone in the business but we feel we are now firmly back on our chosen path and that we have a bright future as a business to look forward to.

Our purpose

During the 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 relevant. Our pubs provide a critical resource at the centre of our communities for people to meet and socialise.

To support this purpose, we have countless individual outlet-based initiatives in place to provide wellbeing, support and sponsorship to numerous charities, individuals and organisations.

At a corporate level, we have continued to provide further support through partnerships with organisations such as Shelter and Social Bite, and at a brand level with charities such as the Royal British Legion.

We were also delighted to be awarded the "Best Sustainable Pub Company" award at The 2023 Publican Awards, which is recognition of the huge amount of ground that we've covered in addressing our climate impact. We have a detailed programme of activity ahead of us, from deploying solar panels and going fully electric on our cook lines, to working with third parties to avoid food waste and helping those most in need in society. Aiming to operate sustainably is now just part of what we do, and it touches everyone within the organisation.

Our culture

Our people have responded magnificently to the challenges we have faced over the last few years. It's their dedication, care and consideration for guests and each other, as well as their passion for the places they live and work in, that has enabled us to deliver another year of robust results.

I would like to thank all of them, including our Executive Committee members, for all they have done for our guests and our business.

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 pensioners

In July we announced that the trustees of the M&B Main Pension Plan, working closely with the Group, had successfully completed a full scheme buy-in with Standard Life. This transaction follows on from the completion of the buy-in of the Executive Plan announced last year and eliminates substantially all remaining pensions risk in the Group.

"Our people have responded magnificently to the challenges we have faced over the last few years, with real determination, flexibility and positivity. I would like to thank all of them for all they have done for our guests and our business."

OUR PEOPLE

Dedication, care and consideration for guests and each other

Chief Executive's Business Review
Go to page 16

As a result, both schemes are now fully funded and the need for further contributions ceased in September this year. This positive development reflects our commitment to our pensioners both now and into the future.

Our Board

There have been no changes to the Board membership during the year. I believe we have a group of Non-Executive Directors with the right balance of experience and capability to guide the business forward successfully.

My role will continue to be focused on ensuring that the Board functions in the best interests of all stakeholders, and that we maintain the right mix of complementary skills which enable us to achieve that aim.

Further detail on the operation of the Board in the year can be found in the Governance section which starts on page 55.

Bob Ivell
Chairman
Mitchells & Butlers plc

OUR VALUES

Passion, Respect, Innovation, Drive and Engagement

Our business model
Go to page 22

Chief Executive's business review

"The strengths of our business provide a strong platform for the future. We have an 83% freehold and long leasehold estate, with recognised and diversified brands across a broad range of consumer occasions, demographics and locations, and an experienced and proven management team with the focus to build on the momentum we now have."

Business review

Total sales across the period were £2,503m with year-on-year growth driven by strong like-for-like sales[a] performance across all of our brands. Operating profit of £98m was £26m lower than the prior year, impacted both by property portfolio valuation movements classified in separately disclosed items and the inclusion last year of an additional £52m of non-recurring government support (in the form of reduced VAT and grants).

Overall, we are very pleased with our 52-week adjusted operating profit[a] result of £221m, before separately disclosed items, which reflects a strong performance in the face of considerable cost headwinds and a record like-for-like sales[a] outperformance against the market, as measured by the CGA Business Tracker, of 2.7ppts.

We made a good start to the financial year with like-for-like sales[a] growth of 6.5% over the first ten weeks, primarily driven by drink sales. Growth then increased further in the final five weeks of the first quarter due principally to last year being impacted by the emergence of the Omicron variant which resulted in a downturn in activity across much of the festive season. Like-for-like sales[a] for the quarter were up 10.4% against FY 2022.

Sales remained resilient through the second quarter with strong performances on key trading dates and from our drink-led, city centre pubs, especially in London, that benefited from a further return to office working and recovery in tourism. Across the quarter, we recorded like-for-like sales[a] growth of 6.4%, comprising drink sales growth of 9.9% and food sales growth of 5.2%.

Through the second half, sales performance remained strong and our outperformance of the market extended further. Despite a wetter and cooler summer than the prior year, like-for-like sales[a] grew by 9.7% through the second half, with all brands in like-for-like sales[a] growth and supported by sustained growth in both food and drink volumes.

The uncertainty and cost challenges the industry has faced have had an unavoidable impact on market supply with a 3.6% net decline in pubs and restaurants in the year to October 2023 and a 13.2% net decline since the start of the Covid-19 pandemic in March 2020 (CGA October Hospitality Market Monitor 2023). Independent and tenanted businesses have made up the substantial majority of the net closures. Given our strong estate and portfolio of brands, we believe that we are well placed to continue to benefit from these changes in the competitive landscape.

Our strategic priorities

The strengths of our business provide a strong platform for the future. We have an 83% freehold and long leasehold estate, with recognised and diversified brands across a broad range of consumer occasions, demographics and locations, and an experienced and proven management team with the focus to build on the momentum we now have. We are focused on the strategic pillars which began to turn the business's performance around in 2018, remained at the heart of the business through the pandemic and continue to guide our growth:

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

Our Ignite programme of work remains at the core of our long-term value creation plans. The programme consists of a rolling total of approximately 40 initiatives, with new workstreams being introduced in the period replacing those fully implemented in the business. Given the cost headwinds faced over the last year, we have been particularly focused on initiatives which increase efficiency and productivity through enhancements such as improved labour scheduling, cost-mitigating procurement strategies and energy consumption reduction. Energy reduction projects in particular have helped to offset utility cost headwinds, as well as contribute towards our sustainability aims, including

OUR PEOPLE

Our fantastic team of over 50,000 people is central to the performance of our business.

Employees
Go to page 27

investment in solar panels, the roll out of voltage optimisers and the trial of internet-connected control devices to lower electricity and gas consumption. In addition, our energy and sustainability ambassadors across the country support General Managers in the behavioural change needed to continue reducing consumption in our sites, the combined result being a reduction in energy consumption of 3% versus last year and 14% versus 2019.

We have also continued to focus on sales-driving initiatives, ensuring that General Managers are equipped with the knowledge and tools to drive sales in their businesses. Each of our General Managers attended a workshop designed to develop and enhance these skills as well as focusing on improving guest metrics by delivering great experiences. We have also increased our capacity at peak times by opening additional bookable covers across bars and outside areas. The benefit of these workstreams is reflected in the broad-based like-for-like sales[a] performance across all of our brands, supported by volume growth, as well as guest scores of over 4.1 in every one of our brands.

Across a multi-location business, comprising over 1,650 sites, execution of business change will always be a key challenge when targeting efficiencies. Consistent delivery of our Ignite initiatives has become an increased focus in order to realise the full value of activities which have been proven in other parts of the business. Therefore, in FY 2024, alongside new initiatives we will be focusing on extracting the full value of initiatives which have already been rolled out to the business, but which currently have inconsistent results. We already have the knowledge and experience to make these activities work, therefore targeted training and sharing of expertise should enable the full value of these initiatives to be realised.

We remain committed to accelerating our digital strategy, which presents an opportunity for more personalised guest experiences. Our strategy focuses on building the correct digital and organisational capabilities to allow for quick activation of new channels and services as consumer behaviours change, allowing us to be at or near the forefront of digital advances in the sector. We have made significant progress in recent years, for example our digital order at table facility, our streamlined online booking experience, and the development of own channel delivery capability seeking to drive sales and protect margins.

Our capital programme continues to deliver value by improving the competitive position of our pubs and restaurants within their local markets. We are committed to re-establishing a seven-year investment cycle, which was interrupted by Covid-19. This financial year we have completed 151 investment projects, slightly fewer than last year but with a higher proportion of larger projects, including 11 conversions of sites to brands such as Miller & Carter and Nicholson's to enable them to optimise trading opportunities in their location. We have also purchased six new sites (of which four are freehold) either by buying in existing leases to give us assured tenancy of successful sites, or by establishing new locations to broaden our offer in areas such as Edinburgh airport, Cardiff, Sheffield and Middlesbrough. We are continuing to see strong performances from our investment projects.

In June 2023 we completed the acquisition of the remaining 60% stake in 3Sixty Restaurants Limited, owners of Ego Restaurants, having acquired the initial 40% stake in August 2018. Ego is a collection of Mediterranean-inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the continent. It currently has 29 sites, including 16 that are leased from Mitchells & Butlers, and c. 1,000 employees. We currently foresee scope for c. 20-30 conversions using the Ego format over the next three to five years. This type of acquisition, of a brand which provides a conversion opportunity which complements our brand portfolio, allows us to generate value through cost synergies of c. £3m as well as incremental profit on conversion.

People

Our fantastic team of over 50,000 people is central to the performance of our business, delivering the all-important experiences guests have with us. We are delighted that our staff turnover reduced this financial year to 81%, a return to pre-pandemic stability. Lower turnover has a positive impact on guest experience and also holds commercial benefits due to the cost of training new team members. We are also delighted that our team engagement scores have continued to improve over the course of the year and are now at record highs, demonstrating the commitment of our teams to work together towards the shared goal of driving the future success of the business.

Chief Executive's business review continued

The recent employment environment has been challenging, and our centralised HR function has been focused on attracting the best talent, enhancing performance through our development programmes and retaining teams through progression opportunities. During the period, over 50% of our General Manager appointments were internal, which reflects the strength of the pipeline of talent we have in the organisation. Our apprentice scheme forms part of our training and progression opportunity, and we believe it will provide excellent future talent to our organisation, from front and back of house roles in our pubs and restaurants to corporate roles in our head office. This financial year over 680 apprentices have joined our business and 980 of our current employees have enrolled onto one of the apprenticeship opportunities open to them. Given the importance of developing and retaining chefs, we continue to grow our culinary capability via our Chefs' Academy and 187 of our chefs have embarked on the Commis Chef apprenticeship delivered by our award-winning tutors.

Sustainability

We are committed to reducing the environmental impact of our business and have set ambitious targets against which to measure our progress:

- Net Zero emissions by 2040, including Scope 1, 2 and 3 emissions; in the period we reduced our emissions by 11% against our 2019 baseline, driven by reduced energy consumption, moving to 100% renewable electricity and reduced emissions in relation to employee travel as we transition our fleet towards hybrid and electric cars. On the intensity measure of emissions to turnover, our output of emissions has reduced by over 20% from our 2019 baseline and by 2% from FY 2022. We have submitted our roadmap to Net Zero for Science Based Target initiative for approval and continue to be active members of the Zero Carbon Forum where we work collaboratively with the ambition of decarbonising the hospitality industry as a whole.
- Zero operational waste to landfill by 2030; we continued to make good progress in this area and currently divert 97% of operational waste from landfill. We have also focused on increasing the proportion of waste that we recycle and have improved our recycling performance to 59%.
- 50% reduction in food waste by 2030; aligned with the UN Sustainable Development Goals we will halve food waste in our supply chain and in sites by 2030. As at the year end, we have achieved a 25% reduction in food waste from our 2019 baseline, driven by operational improvements and aided by partnerships with Fareshare and Too Good to Go. This performance reflects a 1% reduction of the intensity measure of grams of waste per meal from FY 2022.

We have a number of initiatives underway to support these ambitions. Our network of Energy and Sustainability Ambassadors have helped to facilitate a 3% reduction in energy consumption during the year driven by behavioural change as well as investment in voltage optimisers. To reach our near-term Net Zero targets we are focused on removing gas as an energy source. To this aim, during the year we collaborated with suppliers to develop electric kitchen equipment, which is more operationally effective than their gas equivalents, and we are in the process of testing the kit with teams. In addition, we have opened two all-electric sites, trialling alternatives to gas boilers for heating and hot water, as well as various insulation techniques. These trials will help to inform our future strategy for removal of gas.

Our sustainability strategy has a strong focus on the positive impact we have on people and communities and we are proud to partner with Social Bite, a homelessness charity. Under the Jobs First programme, helping people back to independence through long-term employment opportunities, we were delighted to employ 10 people from their academy and hope to expand this in future years. In addition, we raised £140k for Social Bite through fundraising activity and £160k for Shelter, another charity partner.

We remain focused on the delivery of our transition plan designed to reduce our climate impact, evolving our plan in response to emerging technologies, best practice and collaborative opportunities. Meanwhile, we also aim to enhance our social impact through our own operations, by facilitating social mobility, as well as through our work with charitable partners.

Current trading and outlook

Since the period end, we have been further encouraged by like-for-like sales[a] growth of 7.2%. The strength of our sales performance continues to be broad-based across the brand portfolio and underpinned by stable volumes, giving us confidence that further opportunity remains, although we are very mindful of the potential implications of the cost of living challenge facing guests.

Cost headwinds presented a significant challenge in FY 2023 but we are seeing clear evidence that these are starting to abate. We now know that the National Living Wage will increase by 9.8%, and be extended to everyone over 21, from April next year, but a reduction in energy prices and slowing food inflation, in particular, mean that anticipated overall cost headwinds for the year ahead are expected to reduce to c. £65m. This should allow us to start to rebuild margins back towards pre-pandemic levels.

We are working hard to continue to drive sales growth above the market, whilst both leveraging our buying power and further enhancing the efficiency of our business. This allows us to face the future with a renewed level of confidence.

Phil Urban
Chief Executive
Mitchells & Butlers plc

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 192 to 195 of this report.

Our markets

Like-for-like sales growth in the eating-out sector has continued to be robust despite the challenging macroeconomic factors.

The trading environment for the hospitality industry has remained challenging this year, with continued increases in the cost of living putting pressure on consumers. However, the market has continued to see sustained like-for-like sales growth over the year, with improvements in cities' performance, in particular London, as more people return to offices following the Covid-19 pandemic. Sales growth across the market significantly increased in December 2022 and January 2023 due principally to last year being impacted by the emergence of the Omicron variant which resulted in a downturn in activity across much of the festive season. The lowest month of sales growth in the year was recorded in March 2023 at 1.4%[a], principally due to snow and wet weather hampering sales. Over the Spring and Summer months, sales growth increased to between 5 and 8%[a] with cooler and wetter weather dampening sales across the sector. However, the resilience of trading in the year gives us optimism for the future, although we continue to remain mindful of the cost of living challenge facing our guests.

September 2022 saw UK Consumer Confidence fall to a record low of -49[b], the worst overall index score since records began in 1974. Throughout the year, consumers have been squeezed under the pressure of the UK's cost of living crisis driven by rapidly rising food prices, domestic fuel bills and mortgage payments. However, despite these factors, consumer confidence has improved over the year to -21[b] in September 2023 and eating and drinking out remains the affordable luxury that many consumers are looking to prioritise and have prioritised in the past. The sector is focused on retaining current guests, creating experiences that can't be replicated at home and delivering high levels of customer service to enhance trading levels further as confidence returns.

Supply of pubs and restaurants has reduced since March 2020 before the Covid-19 pandemic, with the financial pressure of closures and significant cost inflation in the supply chain, especially across food and energy, forcing a large number of operators to close. According to the CGA Alix Partners Market Recovery Monitor, between March 2020 and September 2023 15,192[c] pubs and restaurants have closed representing a net reduction in supply of 13.2%[c]. In the 12 months from October 2022 to September 2023, 3,766 closed, a net reduction of 3.6%, with independent and tenanted businesses recording the substantial majority of net closures. Given our strong estate and portfolio of brands, we believe that we are well placed to continue to benefit from these changes in the competitive landscape.

Post pandemic, home delivery is now well entrenched in consumer behaviour and is expected to remain a significant part of the eating-out market going forward. Sales are well above pre Covid-19 levels but over the last year there has been a reduction in demand as consumers have returned to visiting pubs and restaurants in person.

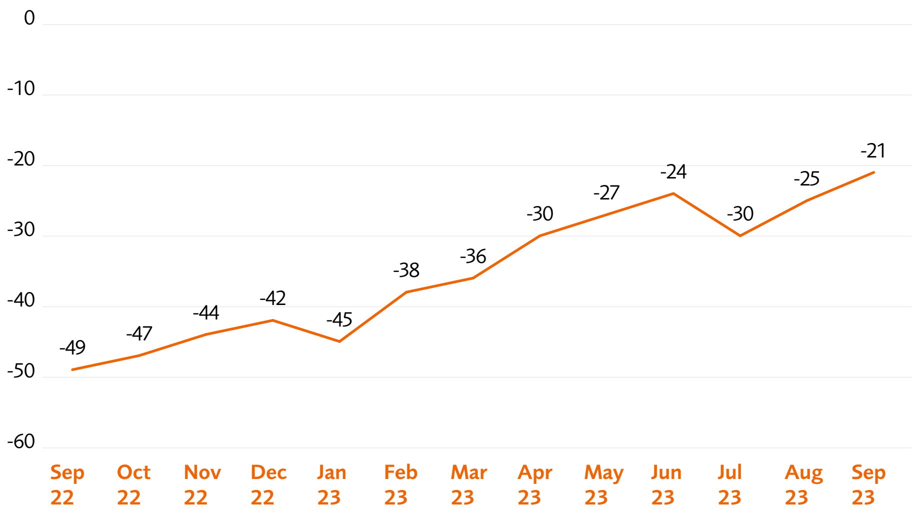
Digital technology became increasingly important in supporting the industry during the Covid-19 pandemic and developments continue to accelerate. Guests are now more accustomed to digital elements of their experience in pubs and restaurants, such as scanning a QR code to access menus, and ordering and paying on their mobiles. 41%[d] of guests who eat out at least weekly prefer to use technology in hospitality and those guests who prefer to use technology on average have a 27%[d] higher monthly spend than those who do not. There remains great opportunity for technology to enhance guests' experience and this will continue to be an increasing differentiator in the market.

The implications of Brexit still remain for the sector, principally around the supply and cost of products and skilled workforce shortages, especially in back-of-house roles. Risks in relation to procurement have continued to be well managed by mitigating for the potential lack of availability of products, reviewing and updating contracts and maintaining strong commercial relationships with suppliers. Our apprenticeship programme has been a key asset in managing the risk around workforce shortage and remains a key focus for the business going forward.

The global political and macroeconomic environments remain volatile and we will continue to monitor the impact on our sector. We remain focused on our Ignite programme of initiatives and our successful capital investment programme, driving cost efficiencies and increased sales, and helping to offset demand and cost pressures caused by external factors outside of our control.

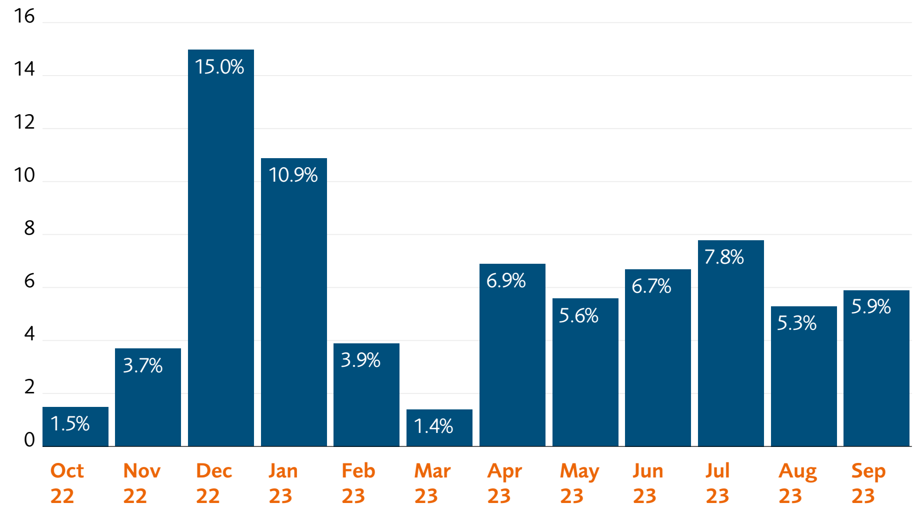
Our response to this competitive environment can be seen on pages 30 and 31 in our strategic priorities.

UK Consumer Confidence Index



Source: GfK Consumer Confidence Index

Coffer CGA Business Tracker vs. FY 2022



Source: Coffer CGA Business Tracker

Sources:
a. Coffer CGA Business Tracker October 2023
b. GfK Consumer Confidence Index September 2023
c. CGA AlixPartners Market Recovery Monitor October 2023
d. Zonal GO Technology Report July 2023

Our business model

The Mitchells & Butlers difference

In this section, we outline the distinctive characteristics of Mitchells & Butlers that enable us to create value for our 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

Financial review
Go to pages 51 to 54

Structural

- Our diversified portfolio of leading brands and offers caters for various demographics and disposable income levels making us less susceptible to short-term changes to industry trading conditions
- We are a predominantly freehold business with well-invested properties
- As one of the largest 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

At a glance
Go to pages 2 and 3

Environmental

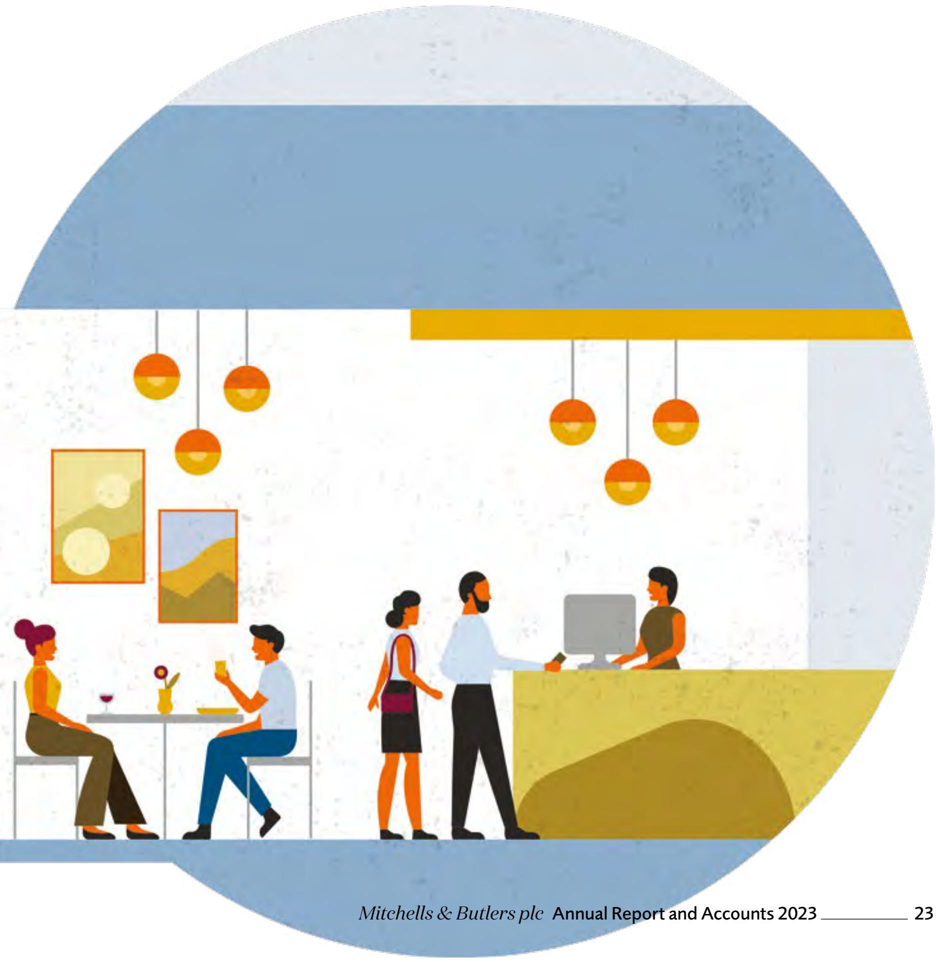
- Our sustainability strategy is designed to create a positive effect on people and communities and to reduce the negative effect of our operations on the environment

Our sustainability targets
Go to pages 34 and 35

The Mitchells & Butlers difference

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



How we create value

The Mitchells & Butlers difference

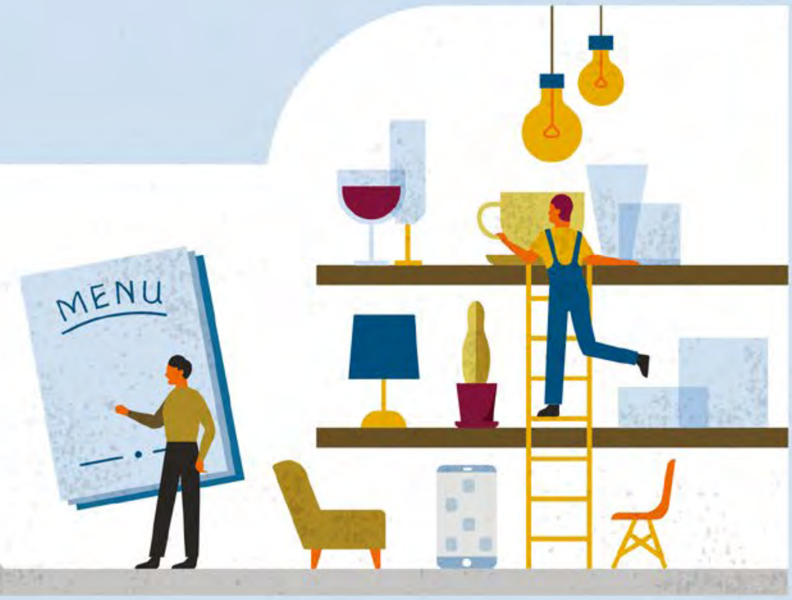
Our business model is driven by our understanding of our guests and our ability to evolve our brands and offers to reflect changes in their needs.

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...

50,259*

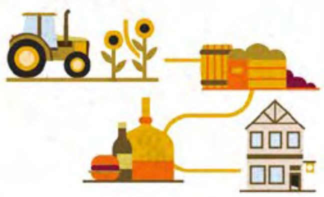
Employees

* As at 30 September 2023.

Supplied by our supply chain...

1,640

Suppliers



Realised within our estate...

1,718

1,718 Pubs, bars and restaurants

Supported and managed by our central functions...

- Finance and Technology
- Human Resources
- Legal and Risk
- Marketing
- Procurement
- 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 2023 highlights

Suppliers

Our annual supplier conference allows us to communicate our business and sustainability priorities direct to our suppliers

Our centralised procurement team has developed strong relationships which have enabled us to minimise the impact of any supply chain disruptions

FareShare fighting hunger, tackling food waste

Donated unavoidable surplus food in the supply chain in 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. We work closely with suppliers to ensure the needs of both businesses are met, and to ensure relationships are 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. Through these partnerships, we work to maintain transparency about our payment terms.

We work with suppliers to understand the environmental impact of our supply chain and to minimise the negative impact of production and transportation. We are working to ensure that all our suppliers can support our sustainability ambitions, including prioritising high animal welfare standards. Further detail on our sustainability strategy can be seen on pages 34 and 35.

Guests

4+

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

99% of outlets with safety scores of 4 or 5 out of 5

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 reviewed centrally and used to provide valuable insight to both our operations and brand marketing teams.

We have always strived to achieve high safety and hygiene standards and have used this strong base to evolve our ways of working for the challenges we face. We focus on ensuring high-quality, consistent practices across the business. 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 regularly assess changing guest preferences across these areas to position our brands for success.

Employees

Growing and developing our internal talent is a priority to address talent shortages

Innovative recruitment and attraction solutions ensuring the right people join our business

Employee wellbeing has never been more important

The following table sets out our diversity balance between men and women at the end of FY 2023.

	Men	Women
Board directors	7	2
Other senior managers	28	15
All employees	23,713	26,546

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 grow. Recruiting effectively is important as it ensures that we attract the right people that will thrive in our organisation. Increasingly, technology can be helpful in supporting our recruitment activity, and enables us to market our job opportunities effectively in a very competitive environment.

We are proud of the learning and development opportunities we offer and strive to provide progression opportunities to all our people. Over the past year we have increased the number of people promoted internally, particularly at the frontline.

Regular development catch ups are held throughout the year to support employees' progression and personal development.

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.

Employee forums are hosted by the Executive Committee team members and enable all employees to raise issues via elected representatives, 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.

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 our employees. Our employee Diversity and Equality Policy ensures that every employee, without exception, is treated equally and fairly and that all our employees are aware of their responsibilities.

Local community

Developed a nutritional roadmap focused on enhanced information and balanced choices

£148m

tax paid in FY 2023 (not including tax collected, e.g. VAT)

Worked with Social Bite to help provide employment to vulnerable people on their Jobs First programme

Over 95 tonnes of unavoidable surplus food donated to charities via FareShare during the last four years

We have a long history of providing a central hub to many communities where people have met and socialised for decades.

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, and Toby Carvery supports the Armed Forces.

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

Investment in FY 2023 in energy-reducing technology

97%

of operational waste diverted from landfill in FY 2023

Target to reduce our absolute Scope 1 & 2 GHG emissions by 70% by 2030 vs 2019 and our absolute Scope 3 emissions by 28% over the same timeframe

25%

Food waste reduction in FY 2023 vs 2019 baseline

Committed to achieving Net Zero emissions by 2040

The natural environment provides the business with the resources it needs to operate. We take our responsibility to protect that environment seriously and have 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.

Further detail of our sustainability strategy can be found on pages 34 and 35.

Investors

Strong stewardship through the Covid-19 pandemic

Equity raise in FY 2021 gave strength to balance sheet

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. Their biographies can be found on pages 60 and 61.

We maintain an open dialogue through our investor relations programme. We update investors and bondholders 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 are 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.

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. Their biographies can be found on our website at www.mbplc.com/investors/our-management.

We recognise that 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 71 to 83.

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 enjoy being a part of.

Our strategic priorities are the pillars which underpin the activity within the business to drive long-term sustainable growth and ultimately that enable us to achieve our purpose of being 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 enjoy being a part of, 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 retaining stability and driving growth in the business. 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 sustained like-for-like sales[a] growth and cost efficiencies. 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 pre-Covid 19. The third wave of Ignite initiatives rolled out over the last two years has continued this progress and helped to mitigate as many of the exceptional cost headwinds across the supply chain as possible. We continue to focus on initiatives which enhance efficiency and productivity, in areas such as automatic product ordering, enhanced labour scheduling, cost-mitigating procurement strategies and energy consumption reduction. Alongside efficiency improvements, we have a number of projects focused on sales growth and one of the most exciting new Ignite workstreams launched this year is focusing on further driving a 'sales and volume culture' across the organisation, including each site, district and brand, targeting selected products each quarter, to maximise incremental sales. We remain confident in our ability to deliver long-term and sustained efficiencies and business improvements through the existing Ignite programme.

We believe that our three strategic pillars remain the crucial elements of the business which will drive long-term growth. Through the Ignite workstream and our capital programme, we will continue to unlock value in these areas enhancing our competitive position in the market.

The table on page 31 outlines these strategic priorities, our progress against them in FY 2023, our priorities for FY 2024 and their link to our sustainability strategy, risks and KPIs.

"We have maintained consistency in our three strategic priorities over recent years and believe that continued focus in these areas is key to retaining stability and driving growth in the 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 192 to 195 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, reduce our impact on the environment and remain competitive to guests, alongside meeting cash flow commitments

FY 2023 progress

- Capital expenditure at £157m was £35m higher than prior year but still below planned as supply issues in terms of material procurement, contractor availability and the timing on granting of planning consent remained a limiting factor
- Completed 145 conversions and remodels, and acquired 4 new freehold and 2 new leasehold sites
- We opened our second Browns in a suburban location in December 2022 which is performing well and we are looking to trial further suburban Browns conversions
- We opened our second Arrowsmiths, our competitive socialising darts concept, in January 2023, providing a strong return from secondary space in O'Neill's
- In June 2023, we acquired the remaining 60% of 3Sixty Restaurants Limited, owners of Ego Restaurants. Ego is a collection of Mediterranean-inspired pubs and restaurants where guests can enjoy freshly cooked food, cocktails, cask ales and wine from across the continent. We currently foresee scope for c. 20-30 conversions using the Ego format over the next three to five years
- We are committed to re-establishing a seven year investment cycle and this continues to be a key focus for the business

FY 2024 priorities

- There is a full capital programme planned for FY 2024
- Focus on enhancing asset value through remodelling sites where we believe increased value can be unlocked
- Make selective acquisitions where we feel they add value to the estate, and disposals where we feel we have extracted maximum value
- Realise conversion opportunities within the estate to the Ego format
- Invest in technologies, such as solar panels and internet-connected control devices, to improve the energy efficiency of our estate
- Continue to maximise the utility of the secondary spaces across the estate via a dedicated Ignite initiative

Sustainability

- Enhancing the sustainability credentials of our buildings is a key priority
- During the year we have installed solar panels on 50 sites producing on-site renewable electricity and have plans to complete more sites in FY 2024
- Removing gas as an energy source from our sites is a key objective of our Net Zero roadmap. We continue to develop our electric kitchen equipment and are trialling alternative options to gas boiler hot water systems
- We have a team of sustainability ambassadors across the business who have helped to drive behavioural change resulting in reduced energy consumption
- We have invested in energy consumption reducing technology and will look for further opportunities to expand in future years
- We divert 97% of our operational waste from landfill and are focused on reducing overall volumes of waste whilst increasing recycling rates

Links to Key Risks

1, 2, 3, 8, 9, 11, 12, 13, 15
See pages 41 to 47

Links to KPIs

2, 3, 4, 5
See pages 32 and 33

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 2023 progress

- Launched a 'sales and volume culture' project across the organisation, which includes each site, district and brand targeting select products each quarter, to maximise incremental sales
- Continued progress on menu and product rationalisation resulted in further cost savings
- Successfully rolled out automated team member scheduling across the estate to ensure we have the right people on shift at the right time, to drive sales at peak and reduce costs at quieter times
- Increased usage of dynamic drinks pricing on selected key occasions and timeslots to grow sales
- Intensified our guest focus with Ignite projects such as Guest Obsessed, where functional experts support our frontline teams with targeted training, delivering record guest review scores in FY 2023
- Continued enhancements made to auto-ordering and prep and par systems and training for food and drink, driving increased product availability for guests
- Completed the installation of voltage optimisers into the majority of the estate and we have achieved significant electricity consumption reductions
- Installed oil monitors across the estate to reduce the volume of cooking oil used
- In collaboration with Stop The Traffik, published our performance against set KPIs to measure our effectiveness and progress on the issue of modern slavery and human trafficking

FY 2024 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 including range management to deliver lower-cost alternatives
- Unlock the full benefits of automated team member scheduling in every business
- Expand the trials of internet-connected control devices for heating systems and kitchen equipment to reduce energy consumption
- Increasingly leverage scale through central procurement and benchmarking our businesses

Sustainability

- We communicate our sustainability ambitions on all brand websites and have built our communication on these topics through social media in appropriate brands
- We have made good progress in reducing food waste, down by 25% in FY 2023 from FY 2019 baseline, facilitated through reduced menu complexity and partnerships with Fareshare and Too Good To Go to redistribute unavoidable waste
- We are working in collaboration with our waste management providers and suppliers to reduce the amount of waste generated by the business
- Continue our work with Stop The Traffik to drive best practice in addressing Modern Day Slavery threats in the supply chain
- We are expanding our programme with Social Bite to help provide employment to vulnerable people on their Jobs First programme

Links to Key Risks

1, 2, 3, 6, 8, 9, 11, 12, 13, 15
See pages 41 to 47

Links to KPIs

1, 2, 3, 5
See pages 32 and 33

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 2023 progress

- Expanded 'Own Channel Delivery' from exclusively Harvester to include selected Miller & Carter and Toby Carvery sites, whereby guests can order a meal for delivery through our own digital channels and the order is fulfilled by a third-party partner, Deliveroo
- Continued to develop our 'Order at Table' platform with enhancements to drive spend per head and the ability to accept a wider range of payment methods, such as Google Pay
- Launched a new, premium Lavazza coffee offer into Castle and Nicholson's pubs, increasing quality and spend per head
- Made further enhancements to our guest relationship management including greater personalisation of email content, reducing cannibalisation of promotions
- Further optimised the table bookings systems used across our brands to ensure we have the best technology to maximise internal, external and secondary spaces bookings
- Launched a discount app for our suppliers, enabling them to enjoy 20% off food and drink Monday to Thursday
- Launched 'Eat.Drink.Meet' website with a collection of our premium city and country pubs available to be searched, filtered and booked
- Completed the redevelopment of the Innkeepers Collection website, creating an improved booking experience and removing third-party agency costs

FY 2024 priorities

- A fifth wave of Ignite initiatives will provide fresh ideas and innovation
- Continue to develop our order and pay-at-table technology with new features such as tabs, user experience improvements and further upselling opportunities
- Grow 'Own Channel Delivery' to our other key delivery brands to increase margin
- Maximise new and existing external trading areas
- Expand the number of sites available to be booked on the newly launched 'Eat.Drink.Meet' website, providing guests with a wide range of options to choose from across our portfolio

Sustainability

- We have developed bespoke training on sustainability to enhance our team's understanding of sustainability challenges and how they can make a difference
- We continue to identify ways to reduce the emissions of the food we serve through recipe adjustments and development of new lower emission dishes
- We have active and ongoing discussions with our suppliers on innovative ways to reduce the environmental impact of our supply chain
- We are active members of the Zero Carbon Forum, a cross-industry group which is focused on finding solutions to help hospitality transition to a low carbon economy
- We have representation on the Hospitality Sector Council Sustainability Group, making us part of the conversation with government for future legislative changes to support enhanced sustainability in the sector

Links to Key Risks

1, 2, 4, 5, 8, 11, 12, 13, 14
See pages 41 to 47

Links to KPIs

2, 3, 5
See pages 32 and 33

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 2023 performance

Retail staff turnover reduced by 13ppts to 81% during the year due to the effective delivery of our People Promise, to meet the needs of our employees, driving improved retention. The reduction in turnover reflects improves stability of teams across all levels. During FY 2020 and 2021, turnover was suppressed by the impact of Covid-19 as there were minimal leavers during closure periods.

Links to strategic priorities: 2
See pages 30 and 31

2.
Guest review score

Definition

Our reported guest measure is an average feedback score across the major third-party feedback channels such as Google, Facebook, Tripadvisor and other review sites. Improving this score remains a key focus of the business as we aim to create memorable moments for our guests.

FY 2023 performance

Our average feedback score across all major feedback channels was 4.4 out of 5 for FY 2023. The significant progress made in recent years on guest feedback has been maintained over the year, driven by a collection of Ignite projects focusing on improving this metric and our managers' continued commitment to delivering excellent guest experiences.

Links to strategic priorities: 1, 2 and 3
See pages 30 and 31

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

Definition

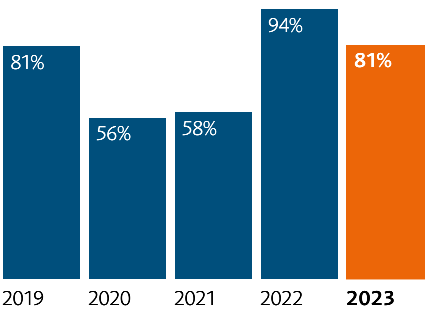
Sales in FY 2021 and 2022 were compared to the sales in FY 2019, being the last full year pre-Covid-19. Sales this year are compared to the sales in FY 2022 of all UK managed sites that were trading in the two periods being compared, expressed as a percentage. Like-for-like sales is an important indicator 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 2023 performance

Like-for-like sales increased by 9.1% in FY 2023 vs. FY 2022, with strong trading throughout the year, all brands in like-for-like sales growth and volume growth in both food and drink. Growth remained consistently ahead of the market as measured against the Coffer CGA Business Tracker, with increasing outperformance in the fourth quarter.

Links to strategic priorities: 1, 2 and 3
See pages 30 and 31

81%



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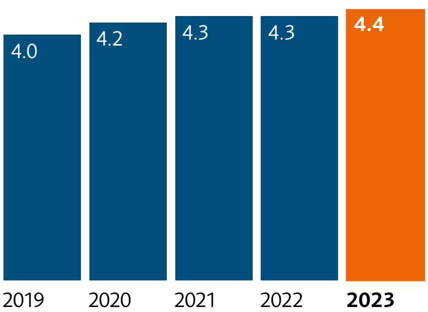
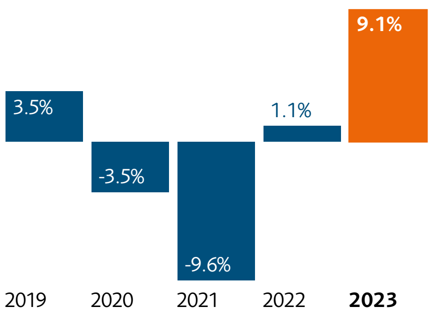


9.1%



9.1%
Like-for-like sales[a] increase in FY 2023

4.
Incremental return on expansionary capital[a]

Definition

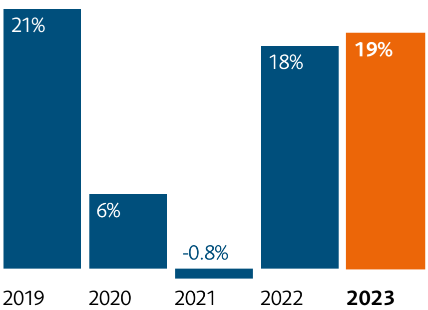
Expansionary capital includes investments made in new sites and investment in existing assets that materially changes the guest offer. Incremental return is the growth in annual site EBITDA, expressed as a percentage of expansionary capital. Is it important for the Board to monitor return on investment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

FY 2023 performance

The EBITDA return on all conversion and acquisition capital invested over last four years was 19%. Returns continue to be impacted by high levels of cost inflation as well as a period of disruption caused by Covid-19. We remain confident in the quality of the investment programme and committed to the re-establishment of a seven year investment cycle. Our capital programme continues to be a key focus of the business and one which we believe will deliver significant future value.

Links to strategic priorities: 1
See pages 30 and 31

19%



5.
Adjusted operating profit[a]

Definition

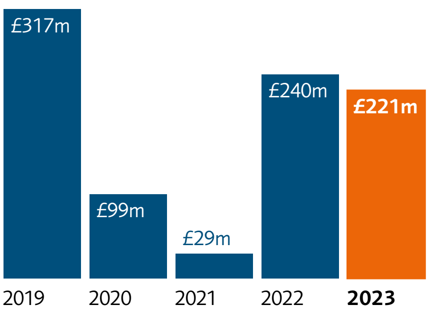
Operating profit before separately disclosed items as set out in the Group Income Statement. Separately disclosed items are those which are separately disclosed by virtue of their size or incidence. Excluding these items provides both management and investors with useful additional information about the Group's performance and supports an effective comparison of the Group's trading performance from one period to the next. 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 2023 performance

Adjusted operating profit[a], on a 52-week basis of £221m was £19m lower than the prior year which benefited from £52m of non-recurring government support in response to Covid-19. Strong sales performance and enhancing operating efficiency helped to partially offset significant cost inflation across the supply chain, particularly in the areas of energy, wages and food costs during the year.

Links to strategic priorities: 1, 2 and 3
See pages 30 and 31

£221m



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 192 to 195 of this report.

Our sustainability targets

Our strategy has been developed to align with the issues addressed by the UN Sustainable Development Goals

We have set challenging sustainability targets against which we will monitor our progress.

We have been working on enhancing the sustainability of our operations since 2019 and are pleased with the progress we have made. Our ambition is to make sustainable operation part of the culture of the business and therefore, building the sustainability skills of our existing teams has been a key focus during the year. The Sustainability Steering Committee oversees the development and progress of the Company strategy, supported by three working groups aligned to the three pillars of the strategy. The Board provides challenge and insight and is regularly updated on progress, and team members across the business receive communication on key initiatives to drive engagement and enhance understanding of our objectives.

Our strategy has been developed to align with the issues addressed by the UN Sustainable Development Goals and Paris Climate Agreement. We have committed to reducing the negative impact of our business model on the environment in light of these objectives and look for opportunities to enhance our positive impact on society. Our Net Zero ambition has been developed to align with the Science Based Targets initiative ('SBTi') methodology to keep global warming well below 2°C, and our roadmap has been submitted to STBi for approval.

We have identified the UN Sustainable Development Goals which we believe we can have the greatest impact on, and have aligned these to our strategic pillars as shown below. For each of the pillars we have defined our objective, key actions and targets. Collaboration across our industry and value chain is essential in order to facilitate progress; we are members of industry groups such as the UK Hospitality Sustainability Committee and Zero Carbon Forum, to share best practice with the intention of moving the industry forward as a whole, and we are also represented on the Hospitality Sector Council.

Details of the link between our sustainability strategy and our strategic pillars can be seen on page 31.

Sustainability strategic pillars

1. Respect for the planet

Objective
We are committed to reducing our emissions, tackling waste and protecting biodiversity

Key actions
- We have made progress against our Net Zero roadmap, which was built in collaboration with third-party experts, providing a detailed plan for decarbonisation
- We have submitted our Net Zero roadmap to Science Based Targets initiative for approval
- We are a founding and active member of the Zero Carbon Forum, bringing the industry together to reduce emissions across the sector through shared learning and insights
- We continue to purchase 100% renewable electricity
- We have begun a solar panel roll out, with 50 sites completed in the year, allowing us to generate on-site renewable energy
- We are in trial with solutions to enable us to remove gas from the estate, including all electric kitchens
- We have increased the proportion of operational waste diverted from landfill to 97%
- Our target is to increase the recycling rate to 80% across the estate by 2030, currently 59%, through team engagement and working with suppliers on more sustainable packaging

UN Sustainable Goal alignment

2. Pride in our offers

Objective
We strive to deliver responsibly sourced products and menu options for everyone

Key actions
- We continue to evolve our menus to support our ambition of reducing food emissions
- We work with suppliers across all categories to understand and improve the environmental credentials of the products we buy
- We have enhanced our animal welfare requirements from suppliers
- Our supplier agreements set out sustainability expectations and standards supported by annual supplier conferences
- We have maintained our focus on enhancing the nutritional balance and information available on menus
- We source all direct palm oil purchases from Rainforest Alliance Approved sources

UN Sustainable Goal alignment

3. Care for communities

Objective
People are central to our business, we are focused on supporting our teams and the communities we serve

Key actions
- We have developed strategic partnerships with charities, including Shelter and Social Bite
- We have expanded our programme with Social Bite, supporting vulnerable people back into employment
- We raised £140k for Social Bite through Festival of Kindness and Summer of Kindness
- We raised £160k for Shelter over the year
- We have an 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, with actual risk assessment completed, in partnership with Stop the Traffik

UN Sustainable Goal alignment

Our targets

1. Net Zero greenhouse gas emissions by 2040

Target

Achieve Net Zero greenhouse gas emissions by 2040 (absolute reduction of emissions, including Scope 1, 2 and 3) from our FY 2019 baseline. We align our definition of Net Zero to the Science Based Target initiative corporate standard. Our Net Zero target includes our Scope 1,2 & 3 emissions, using an operational control approach. We have set a near-term target (pending validation from SBTi) to reduce our absolute Scope 1&2 GHG emissions 70% by 2030, compared to a 2019 base year (aligned to well below 2°C) and a target to reduce our absolute Scope 3 emissions 28% over the same timeframe. We have also set a long-term target (pending validation from SBTi) to reduce absolute GHG emissions from Scopes 1, 2 & 3 90% by 2040 from a 2019 base year to be Net Zero by 2040. Aligned to the SBTi criteria we will offset our residual 10% emissions using carbon removal offsets at our Net Zero date.

Performance

Our Scope 1, 2 and 3 greenhouse gas emissions have decreased by 11% against our FY 2019 baseline in FY 2023. This reduction is primarily due to reduced energy consumption, moving to 100% renewable electricity, and reduced emissions in relation to employee travel as we transition our fleet towards hybrid and electric cars. On an intensity basis of emissions to turnover our output of emissions has reduced by over 20% from our 2019 baseline and by 2% from FY 2022.

Total Scope 1 and 2 emissions reduced by 6% in FY 2023 against our FY 2019 baseline year. The stated reduction is based on the market-based calculation, which reflects both reduced consumption and the increased proportion of renewable electricity purchased. 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 has been driven by a focused reduction in energy consumption since our baseline year. We have a team of energy ambassadors in place across the business who are trained to help fellow managers to reduce their energy consumption and to identify areas of opportunity. In addition, we have installed voltage optimisers across 1,200 sites and have embarked on a solar panel roll out programme, enabling us to generate on-site renewable energy, with 50 sites completed during the year. Against FY 2022 a significant reduction in energy consumption has been more than offset by the emissions associated with the acquisition of Ego as well as increased fugitive emissions as enhanced data collection has resulted in more accurate capture of volume of gas.

Our Scope 3 emissions which include all other indirect emissions that occur in our value chain reduced by 11% versus our 2019 baseline driven by reductions in emissions associated with the production of electricity thanks to reduced consumption, reduced emissions related to waste as a result of more responsible waste management and emissions in relation to employee commuting. Scope 3 emissions represent 91% of our baseline footprint and therefore are an important focus of our transition plan. We have completed a Net Zero roadmap, which we have submitted for Science Based Target initiative approval and have identified clear activities required to achieve our target reduction of Scope 3 emissions. Food emissions are the largest individual contributor to our footprint; we are focused on reducing the emissions of the ingredients on our menus through engagement with suppliers and have identified opportunities to adjust the recipes of dishes to reduce emissions. We will continue to progress in this area with the aim of reducing the emissions of our menus across all brands, which is a key focus for achieving Net Zero.

Zero

Target to achieve Net Zero greenhouse gas emissions
by 2040

2. Zero operational waste to landfill

Target

Zero operational waste to landfill by 2030.

Performance

During the year we have diverted 97% of operational waste from landfill putting us on track to deliver our target of zero operational waste to landfill by 2030. In partnership with our waste management providers, we have run a bin optimisation programme, ensuring that all of our sites have appropriate recycling and general waste bins in the most accessible areas of the business, to encourage improved segregation of waste. This, alongside team engagement on our environmental ambitions, has helped us improve our recycling rate to 59%.

We have targeted a recycling rate of 80% by 2030 and are working across a number of fronts to achieve an improvement in the proportion of waste we recycle. We are working with suppliers to reduce the volume of packaging entering our sites, and to ensure that as much packaging as possible can be recycled, as well as engaging teams in the positive environmental impact they can have by increasing recycling rates. We face challenges in some geographies where recycling of materials is not yet available and we continue to investigate opportunities to access recycling in these areas.

Zero

Target to achieve zero operational waste to landfill
by 2030

3. Food waste

Target

Reduce food waste by 50% by 2030 from our FY 2019 baseline.

Performance

This year we have achieved a 25% reduction in food waste against our FY 2019 baseline. Significant progress has been made in food waste management in both our supply chain and in our sites and as a result the intensity metric of kg of food waste per meal has reduced by 3% from FY 2022.

We have remained focused on managing waste within the supply chain, particularly around menu changes and key dates, and have maintained the progress made last year. Where possible we donate food which would otherwise go to waste within the supply chain to Fareshare who redistribute the food to community groups who need it. During the period we donated 17 tonnes of food through Fareshare.

In our sites, food waste reduction has been achieved through strengthened operational procedures which reduce the level of waste generated during the food prep process, including accurate portion sizes from suppliers, as well as reduced menu complexity. The introduction of auto-ordering has helped to improve the forecasting of dish mix and therefore reduced waste through spoilage. In addition, we have continued our roll out of Too Good To Go which is now across six brands, saving on average over 15,000 meals a week from wastage. Our next focus is to understand the drivers of guest plate waste in order to develop strategies targeting a reduction of waste returned to our kitchens on plates.

Unavoidable 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.

50%

Target to reduce food waste by 50%
by 2030

Task Force on Climate-related Financial Disclosures

The purpose of this statement is to provide investors and wider stakeholders with an understanding of Mitchells & Butlers plc's governance structure in relation to climate, our exposure to climate-related risks and opportunities, our strategic response to managing identified risks and opportunities and the key metrics we use.

We are pleased to confirm that we have included climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, except for scope 3 emissions, and in compliance with the FCA's Listing Rule 9.8.6R(8). Our report addresses the four TCFD pillars: Governance, Strategy, Risk Management and Metrics and Targets. In preparing this information all of the guidance in Section C and E of the TCFD Annex has been considered. Scope 3 emissions have not been disclosed for the current period. Our intention is to disclose Scope 3 emissions on the conclusion of our rebasing for Forest, Land and Agriculture targets as required by Science Based Target initiative, allowing us to begin disclosure on a basis which we expect to remain consistent in future years. We anticipate our internal processes to be concluded at the end of 2024 with Science Based Target initiative approval to follow.

Governance

We, alongside our stakeholders, recognise that the health of our planet is critical to the wellbeing of society at large and that the food industry has a significant part to play in addressing the current climate emergency. We also recognise that the food industry will feel the effects of continued climate change ever more acutely which will result in changes in consumer behaviour, advances in innovation and the evolution of leisure offers to adapt to changing needs.

The Board of Mitchells & Butlers plc is committed to delivering the purpose of the organisation; to be the host of life's memorable moments, and to do so in a way which reduces the environmental harm caused by operations. Our approach to climate enables us to evolve our offers to meet changing consumer expectations in order to realise potential climate-related opportunity. We have developed a clear governance framework to support our assessment and response to climate-related matters. This framework has helped us to continue to make progress against our climate goals and to address challenges faced by the industry as a whole.

Board oversight of climate-related risks and opportunities

The Board is responsible for the long-term success of Mitchells & Butlers plc and has an established framework in place which enables effective assessment and management of risks, including climate-related risks and opportunities. Responsibility for ESG matters is managed within the framework by the Corporate Responsibility Committee, a Board level committee, using insight from the Group Risk Committee on the assessment of climate-related risks, the Group Audit Committee on the financial consideration of climate-related risks and the Group Remuneration Committee on the inclusion of climate-related metrics in remuneration. The Corporate Responsibility Committee is chaired by Bob Ivell and is led by Dave Coplin, Non-Executive Director, who has been designated by the Board to take a lead role in oversight and development of the Company's approach to climate-related issues. Dave Coplin has, for the last 30 years, been providing strategic advice and guidance on driving innovation and transformation to organisations and governments both here in the UK and around the world giving him excellent experience in this role. The Committee is made up of five Board members, Phil Urban is invited to attend regularly.

The Corporate Responsibility Committee meets at least twice a year to review progress utilising information provided by the Sustainability Steering Committee. The Sustainability Steering Committee, which is a management level committee, provides regular update papers to the Corporate Responsibility Committee, including performance against stated targets including Net Zero by 2040, waste management and food waste reduction, as well as progress on key transition plan initiatives. The Board is updated at least annually on performance against targets and initiatives or investment, either underway or future, which facilitate the attainment of our goals. Ad hoc updates are provided where approval is required or a significant development is reported. As such climate-related risks and opportunities form an important part of the context from which the organisational strategy is considered and developed, ensuring that the Group is positioned to protect itself from financial and

Responding to TCFD

TCFD Working group formed, supported by external advisers

1. Gap analysis against current governance and procedures

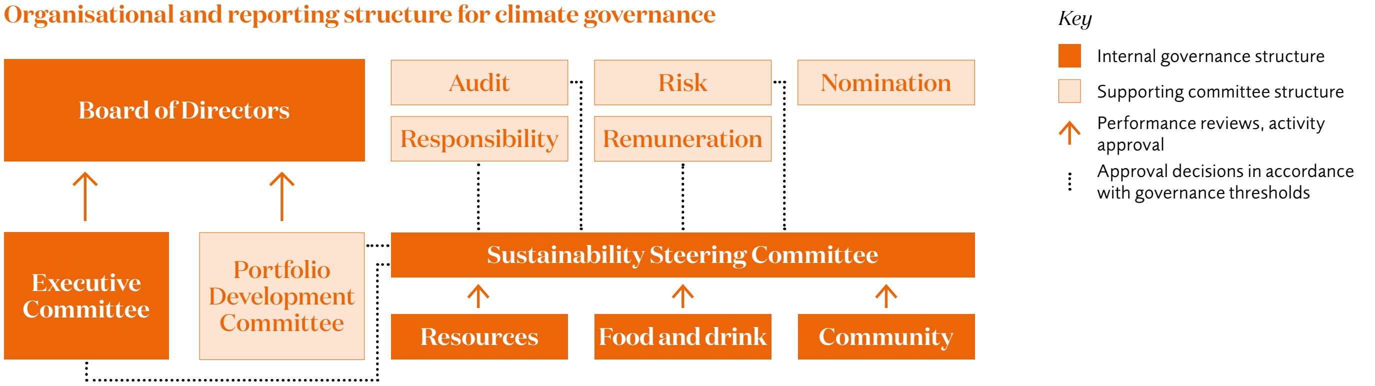
2. Climate-related risks and opportunities workshops held across functions

3. Analysis performed with a view to completing quantitative scenario analysis in FY 2024

FY 2023 disclosure including governance, risk, strategy, metrics and targets

Ongoing integration of TCFD recommendations into practices

Organisational and reporting structure for climate governance



reputational risks associated with climate. This structure also enables the company to benefit from the commercial opportunities of accelerating the sustainability programme in order to align brand propositions with guests' changing needs. When considering any business planning activity the Board takes into consideration the broader context of its trading environment, with details of the climate aspect provided by the Corporate Responsibility Committee.

The Sustainability Steering Committee is a management level committee which has responsibility for the continuous monitoring and evolution of the sustainability strategy. The Committee oversees the three working groups responsible for discrete areas of the sustainability strategy: respect for the planet, pride in our offers and care for communities. The Sustainability Steering Committee meets with the working group leads every eight weeks, and receives supporting update papers in advance of meetings. The meetings ensure that the Sustainability Steering Committee maintains oversight over sustainability activities which are in place across various business functions, ensuring that our approach is consistent and executed effectively. These meetings also provide the foundation of the update information provided to the Board-level Corporate Responsibility Committee. The Sustainability Steering Committee also meets on a monthly basis with members of the Executive Committee to inform management on progress of key initiatives and to discuss any decisions required by the Executive Committee.

To enhance executive level engagement and knowledge, the Director of Investor Relations and Sustainability attends Executive Committee meetings on an ad hoc basis to provide information on the key, climate-related challenges facing the industry and how our sustainability strategy addresses these issues.

In addition, to strengthen the response to climate-related issues, the organisation is a founding member of the Zero Carbon Forum, with Executive Committee member involvement. The Zero Carbon Forum is a hospitality group bringing members together to tackle environmental issues. With input from experts the forum facilitates a collaborative approach to developing solutions, enabling the industry to make progress at a faster pace than if companies acted independently.

Risk management

In response to the TCFD requirements, last year we performed a detailed review of the climate-related risks and opportunities relevant to the business. The resulting principal risks were added to the risk register and are now assessed on a regular basis as part of the Risk Committee's review.

Identifying, assessing and managing climate-related risks and opportunities

The following stages formed the process of identifying and assessing climate-related risks and opportunities last year:

- Workshops were held with external third parties who reviewed Mitchells & Butlers operations before generating a list of climate-related risks and opportunities relevant to the business. These were considered alongside guidance from the World Business Council for Sustainable Development ('WBCSD') Food, Agriculture and Forest Products TCFD Preparer Forum to formulate a list of all the climate-related risks and opportunities which may impact our organisation.
- Workshops were held with representatives from relevant functions across the organisation to obtain a wide range of perspectives on the identified climate-related risks and opportunities. Using expert knowledge of the business and its supply chain, experience from past events and insight into guest behaviour, each risk and opportunity was assessed and opinions were gathered on future change and perceived risk materiality. The output of the workshops was a reduced list of risks and opportunities which were considered to be most material to the organisation based on this qualitative assessment. This process helped to reinforce our response to TCFD requirements.
- Our established risk management framework and heat mapping (see page 41) was then used to establish which of those identified risks were likely to be material to our business, being those with a high likelihood and a high impact. Two risks were identified to be material, and therefore have now been included as principal risks, with the results discussed and approved by the Risk Committee. Our sustainability strategy has been developed to mitigate those risks where possible with associated KPIs to track progress, as well as risk indicator measures which identify if the impact of an identified risk is increasing.

All potential climate-related risks and opportunities are reassessed annually through the Sustainability Steering Committee and Risk Committee. Analysis and response to risks are supported by TCFD guidance and evolving corporate best practice. Additional risks are added to the principal risk register if the criteria to do so are met.

Through our membership and active involvement in industry-led organisations, such as the UK Hospitality Sustainability Committee and Zero Carbon Forum, and through regular dialogue with suppliers, we will continue to collaborate on our responses to climate risks and to seek out opportunities to progress against our goals. We engage actively with our suppliers on sustainability issues, including at our annual supplier conference, and will be seeking to further progress alignment of objectives which will help manage climate risks through Scope 3 emissions measurement and management.

In considering our climate risks and opportunities we have assessed short-term risks as being between 0-3 years in line with how we assess our principal risks and viability statement; medium-term risks as being between 3-6 years; and long-term risks between 6-20 years in line with our longer-term contracts and climate commitments.

Climate-related risks and opportunities management and strategy

Our analysis of climate-related risks and opportunities has identified the risk of the introduction of carbon taxes and the risk of increased severe weather events as material. Therefore, these risks have been included within our principal risks (see page 41). These risks are consistent across all of our locations.

Quantitative analysis is not yet included as part of the financial planning process but will begin to be as we make progress against our transition plan. However, elements of the sustainability strategy are reflected in financial planning. Capital investment in sustainable technology and building development are considered at Group level and built into the annual capital plan and specific initiatives developed by brands to ensure optimal alignment with guest needs are factored in to brand budgeting assumptions. The financial, and environmental, impact of all sustainability initiatives are carefully tracked and reported to the Sustainability Steering Committee which in turn escalates any material impact to the Executive Committee.

Our sustainability strategy is designed to mitigate the financial and reputational impact of climate-related risks and to capture the benefit of aligning our brand proposition to changing consumer needs. In particular, we have a well-developed transition plan to Net Zero, which has been designed in collaboration with third-party experts and submitted to Science Based Target initiative ('SBTi') for approval. Our Net Zero roadmap aligns with SBTi methodology to keep global warming well below 2°C. This detailed roadmap provides the benchmark against which performance can be tracked to a low emission economy, with our contribution clearly understood as well as that of our suppliers, such that we can influence others in our supply chain to reduce their emissions. Sustainability is a key priority for the Board and management and remains so despite the challenges currently faced by the industry as a whole.

The impact of identified climate related risks and opportunities were considered in the context of a 2°C warming scenario, bringing to life the possible consequences for the business and its supply chain by utilising Met Office predictions of future weather events. In terms of physical risk, we performed a qualitative analysis of the possible increase in damage to properties under this warming scenario. We believe that we have a robust strategy in place to help mitigate an element of the risks posed. We have a centralised building management team who monitor the physical risk to our estate and our sustainability strategy is designed to address the transition risks identified. We are conscious that collaboration, particularly with the supply chain, will be vital in order to tackle the future challenges ahead. Identifying ways to develop commercially viable solutions to approach the environmental impact of the food supply chain, an area of greater risk, is a significant challenge and one on which we are working with industry bodies, supply chain partners and other hospitality businesses. Under a 4°C warming scenario whereby, according to Met Office predications, adverse weather events would be far more frequent, the impact of both our physical and transition risks are higher. From a physical risk perspective, due to sea level rises in this scenario, a small number of sites would enter the flood risk register and we would expect increased frequency of damage to properties caused by storms and extreme weather. We monitor the frequency of weather related damage to buildings centrally and would evolve an enhanced strategy to mitigate the risk under this scenario should this be the likely direction of travel.

Below is a summary of the climate-related risks included within our principal risk register, for further details on our risk assessment framework please see page 41.

Transition risk

Risk
Introduction of carbon taxes and levies

Category
Operational costs

Description
This risk represents the impact on operating costs of the business both directly through taxation and indirectly through higher input costs which would result from the introduction of taxation and levies attributed to greenhouse gas emissions.

Qualitative assessment has identified this risk as both high in impact and likelihood over the short to medium term. The introduction of a form of carbon taxation is likely to be introduced as pressure mounts for progress to be made against the Government ambition to achieve Net Zero by 2050.

Physical risk

Risk
Increased severity of extreme weather events

Category
Acute

Description
This acute physical risk represents the risk to both revenue and the supply chain of increased severe events. Revenue would be impacted through the interruption to trade caused by both extremely hot weather and adverse weather such as rain and snow, as well as possible site closure resulting from flooding. In addition, the availability of products in the supply chain, in particular agricultural produce, could be impacted by severe weather affecting product availability and input prices.

The qualitative assessment of potential revenue impact included a high-level review of previous interruption to trade resulting from extreme weather and considered scientific forecasts as to the likely increase in extreme weather events. Procurement information relating to previous disruption to supply chain due to localised weather events and geopolitical issues were reviewed and considered in the context of increased severe weather events. As a result of these assessments the risk has been identified as both high impact and high likelihood.

Transition opportunity

Risk
Adjusting brand propositions to appeal to changing consumer preferences

Category
Revenue

Description
Changing consumer preferences towards products seen as better for the environment, for example dietary shifts towards low carbon products, presents an opportunity for the Group to position brands to appeal in an evolving market. The breadth of brands within the Group portfolio provides the opportunity to test adapted brand propositions in a low risk way and to therefore be ahead of the market when consumer preferences begin to change in the mass market.

Transition risk

Approach to risk/opportunity management

We are a member of the UK Hospitality Sustainability Committee which enables us to have foresight over potential policy changes impacting the organisation.

We have developed a Net Zero strategy with a target date of 2040. The strategy has been developed in partnership with an independent third party and has been submitted for Science Based Targets initiative approval during FY 2023.

We have a number of initiatives underway designed to reduce our emissions in line with our Net Zero roadmap. The detailed plan for reduction will help to mitigate an element of potential cost, and a target date ahead of Government ambition will help to position the organisation ahead of the market average.

We are working closely with suppliers, particularly in high emission categories, to support their pathway to carbon reduction which will help to mitigate an element of this risk. However, if input costs increased materially in response to carbon taxes margins would be at risk.

Future measurement considerations

The approach to the quantitative assessment to be performed during FY 2024 will be to take the Group's forecast carbon emissions, from our Net Zero plan submitted for Science Based Targets initiative approval, and to apply DEFRA published carbon values over the short, medium and long term giving an estimate of the potential financial impact of the introduction of carbon taxes.

Horizon

Short – medium term

Physical risk

Approach to risk/opportunity management

The weather has a high level of impact on trading levels across the estate and therefore monitoring weather forecasts in relation to expected trading levels is a normal part of the financial planning of the business.

This monitoring activity will enable us to identify when patterns of increased instances of extreme weather events begin to develop at which point investment in mitigating action, such as installation of air conditioning, can be considered. In addition, our experience during Covid has meant that we have developed strategies to close sites at short notice, such that in the instance of extreme weather significantly impacting trade we could close sites in order to mitigate some of the financial losses which we would be exposed to.

In relation to site closure due to damage to buildings, such as during flooding, we have insurance in place to recover the lost trade and required repairs and therefore does not represent a significant risk.

To manage the risk associated with our supply chain, we monitor and communicate with our suppliers closely giving us foresight over potential supply issues. We also have sufficient breadth of products across our brands that supply issues with one product could be mitigated through switching to a substitute. We are also aware of emerging agricultural techniques which are less susceptible to weather conditions, such as vertical farming, and would consider these alternatives if the supply chain was likely to become severely impacted.

Future measurement considerations

The quantitative assessment to be performed during FY 2024 will involve a detailed analysis of extreme weather's previous impact on trade to determine the potential impact on revenue. To measure the potential impact on the supply chain, we will review historical impacts of a variety of weather events and work with suppliers to gather insight as to their preparation and planning for such events. The assumed increase of extreme weather events will be derived from climate-science research and applied to two scenarios of degrees of climate warming over the short, medium and long-term time horizons to determine the potential financial impacts.

Horizon

Short – medium term

Transition opportunity

Approach to risk/opportunity management

All of the initiatives under the sustainability strategy help to strengthen the Group's position in relation to environmental matters. This allows our brands to communicate with guests on environmental issues with consistency across the portfolio and to build a reputation for sustainable operations.

Our focus on achieving ambitious environmental targets will position the Group well to benefit from changing consumer habits. Our ability to trial proposition adaptations in appropriate brands to gauge guest reaction will ensure we are well prepared to make informed decisions in the future as consumer preferences change. In addition, our scale and commitment to our investment programme will enable the Group to enhance the sustainability credentials of its properties.

Future measurement considerations

Consumer insight is continuously reviewed and is used to inform brand evolution. In addition, direct consumer feedback is used to highlight changing guest preferences, and reactions to brand changes designed to enhance environmental credentials.

Alongside financial performance these metrics will inform the future evolution of our brands.

Horizon

Short – medium term

Climate-related metrics

The below metrics are used either to track the performance of strategies designed to mitigate the impact of the principal climate-related risks, or as an internal measure of risk exposure. These measures are not yet included within remuneration policies, however it is our intention to include a sustainability measure within the long-term incentive plan from FY 2024. Performance against our stated sustainability KPIs is provided on page 35. Current and historical greenhouse gas emissions, Scope 1 and 2, are available within the Streamlined Energy and Carbon Reporting framework and progress against our Net Zero roadmap is provided annually with details on the key initiatives within the sustainability section.

Metric category	Metric	Group targets	Link to identified risks and opportunities
Climate-related risk Greenhouse gas emissions Scope 1, 2 and 3 **Unit of measure** tCO_2e	Absolute Scope 1,2 and 3 emissions calculated in accordance with Greenhouse Gas Protocol guidance by an independent third party which is checked and verified internally.	Yes – Group target set, Net Zero by 2040 using 2019 as our baseline year. We align our definition of Net Zero to the SBTi corporate standard. Our Net Zero target includes our Scope 1, 2 & 3 emissions, using an operational control approach. We have set a near-term target (pending validation from SBTi) to reduce our absolute Scope 1 & 2 GHG emissions 70% by 2030, compared to a 2019 base year (aligned to well below 2°C) and a target to reduce our absolute Scope 3 emissions 28% over the same timeframe. We have also set a long-term target (pending validation from SBTi) to reduce absolute GHG emissions from Scopes 1, 2 & 3 90% by 2040 from a 2019 base year to be Net Zero by 2040. Aligned to the SBTi criteria we will offset our residual 10% emissions using carbon removal offsets at our Net Zero date.	Carbon taxes and levies
Climate-related risk Waste management **Unit of measure** % of waste diverted from landfill	Proportion of total waste diverted from landfill, i.e. recycled or incinerated. Data is provided by third parties and corroborated with internal information.	Yes – Group target set – Zero operational waste to landfill by 2030. We underpin this target with an internal metric on recycling, with an ambition to achieve 80% of waste recycled by 2030.	Carbon taxes and levies
Climate-related risk Food waste **Unit of measure** Volume of food waste generated	Volume of food wasted. Data is provided by third parties and corroborated with internal information.	Yes – Group target set – Halve food waste by 2030 from 2019 baseline.	Carbon taxes and levies
Climate-related risk Proportion of estate exposed to flood risk **Unit of measure** % of estate	Proportion of total waste diverted from landfill, i.e. recycled or incinerated. Data is provided by a third party and corroborated with internal information.	No target set, used as an internal measure of risk exposure.	Physical risk – increased instances of severe weather events
Climate-related opportunity Transition to renewable energy **Unit of measure** % and Megawatt Hour ('MWh')	% and MWh of energy consumption which is purchased from renewable sources. Data is provided by third parties and reviewed internally.	No target set, reported as an indicator of progress.	Carbon taxes and levies
Climate-related opportunity Workforce competence **Unit of measure** Number of employees to complete training	Sustainability training made available to all employees. Sustainability included as part of the induction process.	Target 80% of General Managers to complete training and 90% of inductions to have included sustainability.	Carbon taxes and levies

Risks and uncertainties

Keeping risk under control

This section highlights the principal risks and uncertainties that affect the Group, 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 Group faces but focuses on those that are currently considered to be most relevant. Please also refer to how we link the key risks to our strategic priorities, on page 31.

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 82 and 83.

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.

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. The Board has carried out an assessment of the Group's emerging and principal risks, resulting in the identification, assessment and management of risks across all areas of the business. The principal risks are subject to review each quarter by the Audit Committee, which is also attended by the Board.

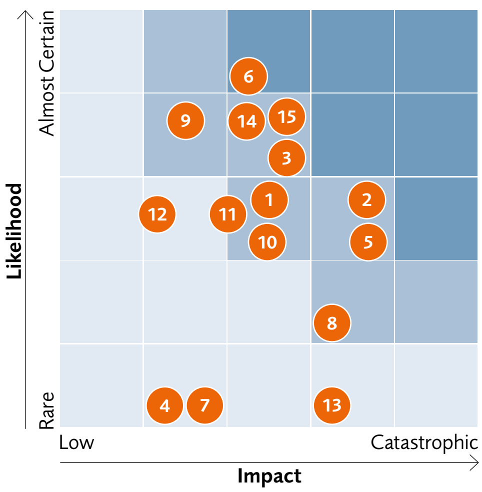
Key risk heat map

The Key risk heat map 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 key

1 Borrowing covenants
2 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
14 Introduction of carbon taxes and levies
15 Increased severity of extreme weather events



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 • Health and Safety Team • Technology specialists • Legal support
3rd	• Group Assurance • Operational Practices Team

Risks and uncertainties continued

Risk category and description

1. Borrowing covenants

There are risks that borrowing covenants are breached because of circumstances such as:

i. a change in the economic climate leading to reduced cash net inflows; or
ii. a material change in the valuation of the property portfolio.

Risk Decreasing
Following the Covid period, when covenant levels tested were either waived or reduced, the borrowing securitised covenants are now back at documented levels. During the period the previous £150m unsecured facility was replaced with a new unsecured facility of £200m to July 2026, which includes a reduction in the fixed cover charge covenant test from 1.5x to 1.25x.

As documented in the Going Concern note, the Directors have assessed a base case forecast and a severe but plausible downside scenario with headroom against all covenants and sufficient liquidity. Therefore the overall risk is decreasing.

High-level controls/mitigating activities

- The Group maintains sufficient 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).
- Each period the Treasury Committee meets and formally considers compliance with financial covenants and limits (both current and projected) for the following:
  - The securitisation (Free Cashflow and EBITDA to Debt Service).
  - Non securitised bank facilities.
  - Liquidity Policy headroom.
  - Compliance with all aspects of Board Treasury Policy.
- In addition, regular forecasting and testing of covenant compliance is performed.
- A detailed assessment of the mitigating risks is included in the Viability statement on page 49.

Movement

Risk Decreasing

2. 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 profit, reducing headroom against securitisation tests.

Consumer and market insight: If the Group 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.

Risk Stable
Overall, this risk remains stable.

High-level controls/mitigating activities

- 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.
- Our Eat Drink Share panel provides robust, quick and cost-effective research. This is our own panel of 27,000 of the Group's guests, whom we can use for research purposes for quick and cost-effective insights.
- Primary research in partnership with brand and 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 and 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 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.

Movement

Risk Stable

Risk category and description	High-level controls/mitigating activities	Movement
3. People planning and development The Group 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. The external recruitment activity over the previous year has been challenging due to the lack of quality candidates being available. A further potential risk is the image of hospitality, given the recent pandemic impact. Retention is high amongst our Director and 'head of department' 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 and 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. Kitchen Manager attraction and attrition continues to be the highest concern, particularly given the decline in 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 continues to increase. **Risk Stable** We have strong internal talent pools for a number of operational roles; however, it is sometimes difficult to recruit top Operations Director talent externally due to the competitive marketplace. Therefore, the risk remains stable.	• The Group 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. Please also refer to the Report on Directors' remuneration, on pages 88 to 118. • The apprenticeship programme will also assist in mitigating against the increasing risk in relation to non-UK workers. Please also refer to the Chief Executive's business review on pages 16 to 18. • Talent development and potential calibrations are carried out biannually to anticipate and address any risks/issues.	Risk Stable
4. Business continuity and crisis management The Group 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** Overall, the risk is stable. Staff have the resources and ability to work remotely rather than rely on access to the Retail Support Centre.	• The Group has in place crisis and continuity plans that are reviewed and refreshed regularly. • New ways of working are in place for all Retail Support Centre staff, to ensure when the office is temporarily closed to employees, there is little or no impact to staff, given that 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

Risks and uncertainties continued

Risk category and description | **High-level controls/mitigating activities** | **Movement**

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 Decreasing
Overall, the risk is decreasing due to the ongoing review and improvement of cyber security controls. However, the increased activity, information security and reliance on IT systems continue to be a key focus to ensure critical IT systems are kept secure and tested frequently and any vulnerabilities identified are addressed efficiently.

High-level controls/mitigating activities

- 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 security cyber 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.

Movement: Risk Decreasing

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.

Risk Stable
The immediate and future impact of National Living Wage and wage inflation is kept under regular review with updates provided to the Executive Committee and Remuneration Committee, as appropriate. The assumptions on the cost headwind form part of the business costs forecasting and assumptions with any cost headwind risks being addressed specifically. Therefore, the overall risk is assessed as stable.

High-level controls/mitigating activities

- 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.

Movement: Risk Stable

7. Pension fund deficit

During the period, the Trustees of the Main Plan entered a Bulk Purchase Agreement with Standard Life, which provides the Plan with sufficient funding to cover all known member benefits of the scheme.

During the prior period the Trustees of the Executive Plan entered a Bulk Purchase Agreement with Legal & General which provides the Plan with sufficient funding to cover all known member benefits of the scheme.

During the year the Company made additional pension contributions, however as a result of the triennial valuation of the Group pension schemes as at 31 March 2022 agreed in December 2022, and the two Bulk Purchase Agreements, no further contributions by the Company to either Plan are expected.

Risk Decreasing
The Group has made significant additional contributions to reduce the funding deficit.

High-level controls/mitigating activities

- Full actuarial valuations are performed every three years (or more frequently where required by the trustees).
- Investment performance reports are reviewed each quarter by the Common Investment Fund ('CIF') Board.
- The Board Pensions Sub-Committee is in place to formalise discussions in respect of the actuarial valuation, alongside new corporate advisers.
- In FY 2022, an Executive Committee pension scheme full buy-in was undertaken and in FY 2023 a Main Plan scheme full buy-in was also completed.

Movement: Risk Decreasing

<table>
<tr><th>Risk category and description</th><th>High-level controls/mitigating activities</th><th>Movement</th></tr>
<tr><td>

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 Group's or a brand's reputation.

Risk Stable
Overall, the risk continues to be stable. In particular, allergen-related incidents and near misses have stabilised.

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- The Group 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 uses 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.
- 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.

</td><td>Risk Stable</td></tr>
<tr><td>

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.

Utility costs: A number of external factors, including the result of the war in Ukraine, has led to an increased cost pressure on utility costs, for the Group.

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.

Risk Stable
The overall risk of inflation is easing given a number of factors, including:

- Easing UK inflation
- Easing utility costs
- Improved availability of labour and raw materials
- The annualisation of the impact of the war in Ukraine

Mitigation to inflation is sought where possible through a change of supplier, products, specification, range and an ongoing review and monitoring of energy cost management.

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In order to reduce the overall impact of costs increases, the Group 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 Group 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 2023 ensuring the correct number of products and 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 the Group's scale is leveraged, the supply base is rationalised, and consumer needs are met.
- Good relationships with key suppliers.
- Supplier collaboration programmes are in place.

Energy:
- Ongoing review of energy purchasing policy (covering short-term and medium-term energy purchasing).
- The Group currently spot purchases its energy requirements and also enters into short and medium-term energy hedges as part of the overall energy purchasing strategy.
- Energy Cost Price & Forecast Reports are produced and monitored.
- Installation of solar panels at 50 sites to reduce reliance on the grid.
- Energy Ambassadors complete energy audits in every business.

</td><td>Risk Stable</td></tr>
</table>

Risk category and description	High-level 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 and/or employees. **Risk Stable** Risks facing the food supply chain safety are regarded as stable.	• The Group 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. • The Group 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 the Group's kitchens. Suppliers are then risk rated according to their products. • Each food supplier is audited at least once per year 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 the 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. Please also refer to Pride in our offers, on page 34.	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 pages 34 and 35). • We have completed an exercise to determine our baseline greenhouse gas emissions from which we have developed a plan to deliver our ambition of Net Zero emissions by 2040. Please also refer to our sustainability targets on pages 34 and 35. • 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. Please also refer to our Value creation story on pages 26 to 29. • 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	High-level 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 and/or national and/or global pandemic, chemical and/or terrorist activity. 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 Decreasing** 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 and respond to enforced Government actions and/or severe business disruption or trading restrictions. These should be subject to a formal review. • Business opening and closure processes have been updated. • Strong supply chain relationships are maintained to assist in the event of cancelling and/or returning stock orders. • Robust processes are in place to manage Government furlough schemes. • The Group, 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 and/or business closures. • Established communication cascade and mechanisms are in place for employees, guests and suppliers. • IT infrastructure, hardware, systems and employee support is 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 and/or 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 and operating procedures.	Risk Decreasing
14. Introduction of carbon taxes and levies This risk represents the impact on operating costs of the business both directly through taxation and indirectly through higher input costs which would result from the introduction of taxation and levies attributed to greenhouse gas emissions. **Risk Stable** Qualitative assessment has identified this risk as both high in impact and likelihood over the short to medium term. Whilst the risk is currently assessed as stable, the introduction of a form of carbon taxation is likely to be introduced as pressure mounts for progress to be made against the Government ambition to achieve Net Zero by 2050.	• The Group is a member of the UK Hospitality Sustainability Committee which enables us to have foresight over potential policy changes impacting the organisation. • The Group has developed a Net Zero strategy with a target date of 2040. The strategy has been developed in partnership with an independent third party. Please also refer to our sustainability targets, outlined on pages 34 and 35. • We have a number of initiatives underway designed to reduce our emissions in line with our Net Zero roadmap. The detailed plan for reduction will help to mitigate an element of potential cost, and a target date ahead of Government ambition will help to position the organisation ahead of the market average. Please also refer to our Task Force on Climate-related Financial Disclosures, on pages 36 to 40.	Risk Stable
15. Increased severity of extreme weather events This acute physical risk represents the risk to both revenue and the supply chain of increased severe events. Revenue would be impacted through the interruption to trade caused by both extremely hot weather and adverse weather such as rain and snow, and possible site closure as a result of flooding. In addition, the availability of products in the supply chain, in particular agricultural produce, could be impacted by severe weather having an effect on product availability and input prices. **Risk Stable** Following a qualitative assessment, which included a high-level review of previous interruption to trade resulting from extreme weather (as well as scientific forecasts as to the likely increase in extreme weather events), the overall risk is assessed as stable.	• The weather has a high level of impact on trading levels across the Group and therefore monitoring weather forecasts in relation to expected trading levels is a normal part of the financial planning of the Group. • This monitoring activity will enable the Group to identify when patterns of increased instances of extreme weather events begin to develop. • In relation to site closure due to damage to buildings, such as during flooding, we have insurance in place to recover the lost trade and required repairs. Our experience during closure has meant that we have developed strategies to close sites at short notice, such that in the instance of extreme weather significantly impacting trade we could close sites in order to mitigate some of the financial losses which we would be exposed to. • To manage the risk associated with our supply chain, we monitor and communicate with our suppliers closely giving us foresight over potential supply issues. We also have sufficient breadth of products and dishes across our brands such that supply issues with one product could be mitigated through switching to a substitute. Please also refer to our Task Force on Climate-related Financial Disclosures, on pages 36 to 40.	Risk Stable

Compliance statements

Corporate viability disclosure

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 2026.

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. Beyond this period, performance is impacted by domestic and global political, macroeconomic and other considerations which become increasingly difficult to predict. As set out below, this is particularly so at the current time.

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 seeks to provide a strong capital base and long-term direction 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 continues to face the business as a result of global political developments, uncertain government policy, and cost headwinds. 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 diverse range of brands and offers trading from a well-positioned and largely freehold estate, supported by 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 £1.3bn of long-term securitised debt which amortises on a scheduled profile over the next 13 years. Securitisation covenants are tested quarterly, both on an annual and a half year basis. As set out in the going concern paragraph in section 1 of the consolidated financial statements a refinancing of the Group's unsecured committed facility was undertaken during the reporting period. This facility is now for £200m, with financial covenants tested half yearly, and expires within the three year term of this assessment, in July 2026.

Following a year in which the Group has been able to trade throughout without restrictions, sales have returned to above pre-pandemic levels. The principal short-term risks facing the business are now therefore assessed to be the generating of further growth on this level of demand, in addition to mitigating cost inflation. 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 making this assessment the Group has taken the view that there will be no material further adverse impact of Covid-19 (or any other pandemic) such that sales will continue to grow year on year. In particular it is assumed that no further mandated closure or trading restrictions will be reintroduced. Through the assessment period, the Group is forecasting sales growth remaining slightly below current levels. Further, it is assumed that on a general basis the current very high levels of cost inflation seen through FY 2023 will start to abate into FY 2024 and that energy markets and costs will start to revert to closer to historical levels in absolute terms leading to a recovery in profitability over the assessment period.

The Group's three year plan takes account of these risks, in addition to the prevailing economic outlook and capital allocation decisions, alongside limited mitigating activity such as improved operational efficiencies (notably stock and labour management and energy saving initiatives) to manage these costs. In the base case scenario the Group remains within solvency covenant limits and has access to sufficient liquidity to meet its outgoings. It is noted that there is a requirement to refinance the unsecured facilities near the end of the three year assessment period, in July 2026. It is considered that this can be accommodated within the debt capacity of the business given future anticipated recovery in profitability and the strength of the creditor relationships exhibited in recent refinancing exercises, noting also that each year a further c. £120m of securitised debt is expected to have been paid down. The resilience of this base case plan is then assessed through the application of forecast analysis, focused in particular on growth of demand and levels of 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 individually to the base plan.

- Declining Sales Performance (Risk event 2): 2% lower sales growth rate on average from December 2023 to end of FY 2025 and 1.0% lower in FY 2026;
- Cost of Goods Price Increases (Risk event 9): 1.2% increase in direct Cost of Goods (Drink and Food) in FY 2024, and 0.9% in FY 2025 and FY 2026;
- Increased Wage Cost Inflation (Risk event 6): 1% increase in NLW wage rate in FY 2024, FY 2025 and FY 2026;
- Increased utilities cost (Risk event 9): additional £10m in each of FY 2024, FY 2025 and FY 2026; and
- A scenario combining all of the above sensitivities which reduces operating profit by £27m, £59m and £79m in FY 2024, FY 2025 and FY 2026 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 covenant breaches.

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 access to sufficient resources to continue in operation and meet all its liabilities as they fall due over the three year period to September 2026.

Non-financial and sustainability 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 34 to 40;
  - Employees on page 27;
  - Social matters on pages 26 to 29;
  - Respect for human rights on pages 66, 80 and 81;
  - Anti-corruption and anti-bribery matters on pages 80 and 81.

Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 41 to 47 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 32 and 33.
- The Financial review section on pages 51 to 54 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 30 September 2023:

- 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 addition, the 2018 UK Corporate Governance Code specifically requires that the Board should understand the views of the Company's key stakeholders (including employees, suppliers, customers and others) and keep stakeholder engagement mechanisms under review so they remain effective. The 2018 Code also recommends that there should be regular reporting as to how the Board has complied with this engagement approach in its decision-making processes and how the interests of different shareholders have been considered.

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 bondholders, 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.

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. Established communication cascade and mechanisms are in place for employees, suppliers and guests: engagement with employees is discussed on page 65 of the Directors' report, which sets out the various platforms for employee communications, facilitated by Dave Coplin, a Non-Executive Director who acts as the 'employee voice'; engagement with key, critical suppliers is addressed on page 73 of the Corporate Governance Statement which describes the supplier tiering process; and engagement with guests is discussed on page 110 of the Report on Directors' remuneration which describes the mechanisms for providing guest feedback.

Compliance statements continued

The Company's culture is embodied in a set of PRIDE values of Passion, Respect, Innovation, Drive and Engagement which underpin its key priorities of People, Practices, Profits and Guests. The Board observes these PRIDE values in discharging its everyday responsibilities in order to ensure that decisions taken are in line with the Company's values and objectives. High standards of business conduct are expected, in furtherance of which the Board has implemented a Code of Ethics, which is fully described on pages 80 and 81 of the Corporate Governance Statement, and a declaration of compliance with the Modern Slavery Act 2015 (including a Supplier Code of Conduct) is dealt with on pages 66 and 67 of the Directors' report. Appropriate scrutiny of the environmental impact of the Group's activities is included in the Sustainability section of the Strategic Report on pages 34 and 35.

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 included the pressures faced by the UK consumer in the face of rising costs and interest rates, and the impact of unprecedented cost headwinds on the business and wider UK hospitality market. In considering these external factors, 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. Other matters considered by the Board included the re-financing of the unsecured Revolving Credit Facility and the acquisition of the remaining 60% of 3Sixty Restaurants Limited.

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, whilst being mindful of the need to comply with the Group's obligations of its securitisation arrangements and other financial arrangements.

In reaching its decisions, the Board was mindful of the need to seek to preserve the integrity of the Company's business so as 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.

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 30 and 31 and its agreed purpose as referred to on page 05.

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

"On a statutory basis, sales were £2,503m (FY 2022 £2,208m). The loss before tax for the period of £(13)m (FY 2022 profit of £8m) was impacted by movements to the property portfolio valuation as well as significant cost headwinds during the financial year."

Tim Jones
Chief Financial Officer

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

The financial period being reported on was a 53-week period, therefore in order to facilitate comparison to prior year, adjusted results have been restated on a 52-week basis, as set out below.

At the end of the period, the total estate comprised 1,718 sites in the UK and Germany of which 1,654 are directly managed.

Revenue

Total revenue of £2,503m (FY 2022 £2,208m) reflects a strong period of trading.

Like-for-like sales[a] for the period increased by 9.1%, comprising an increase in like-for-like food sales[a] of 8.6% and an increase in like-for-like drink sales of 9.9%. Like-for-like sales[a] growth was broad-based, with growth across all brands, supported by volume growth in both food and drink. Excluding the impact of reduced rates of VAT in the first half of FY 2022, like-for-like sales[a] growth across the period was 11.3%.

	Statutory 53 week		Adjusted[a] 52 week	
	FY 2023 £m	FY 2022 £m	**FY 2023 £m**	FY 2022 £m
Revenue	**2,503**	2,208	**2,459**	2,208
Operating profit	**98**	124	**221**	240
Profit/(loss) before tax	**(13)**	8	**112**	124
Earnings/(loss) per share	**(0.7)p**	2.2p	**15.6p**	18.0p
Operating margin	**3.9%**	5.6%	**9.0%**	10.9%

Financial review continued

Like-for-like sales[a] growth against FY 2022:

	Weeks 1–15 Q1	Weeks 16–28 Q2	Weeks 29–42 Q3	Weeks 43–52 Q4	**Weeks 1–52**
Food	6.4%	5.2%	11.6%	11.6%	**8.6%**
Drink	15.5%	9.9%	7.4%	6.4%	**9.9%**
Total	10.4%	6.4%	9.7%	9.7%	**9.1%**

Against FY 2019, the last pre-covid year, like-for-like sales increased by 10.5% driven by spend-per-head with volumes down 8% for food and 12% for drinks.

For the eight weeks since the period end like-for-like sales[a] against FY 2023 have increased by 7.2%.

Separately disclosed items

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

A £131m reduction in value is recognised relating to valuation and impairment of properties, comprising a £110m impairment arising from the revaluation of freehold and long leasehold sites, a £6m impairment of short leasehold and unlicensed properties, a £14m impairment of right-of-use assets and a £1m impairment of goodwill. The £28m tax credit relates to these impairments.

Other separately disclosed items include a net profit arising on property disposals, a shortfall on an HMRC VAT claim on gaming machines and a number of items related to acquisition accounting for 3Sixty Restaurants Limited. These items net to an overall credit of £3m.

Operating profit and margins[a]

Adjusted operating profit[a] for the financial year was £221m (FY 2022 £240m).

FY 2023 benefited from £1m (FY 2022 £53m) of government support. The year-on-year adjusted operating profit increase, net of government support, of £33m reflects a strong underlying sales performance supported by efficiency gains to more than offset the cost headwinds of £175m faced in the period.

Adjusted operating margin of 9.0% was 1.9ppts lower than prior period, driven by the significant cost headwinds and the margin benefit of government support received in FY 2022. Statutory operating margin of 3.9% was 1.7ppts lower than last year due also to the impact of separately disclosed property impairments.

Cost headwinds are now starting to abate and for FY 2024 are expected to be in the region of c. £65m, representing 3% of the overall cost base, including an expectation of energy cost reduction.

Interest

Net finance costs of £108m for the period were £6m lower than last year, with annual amortisation reducing the value of securitised debt and higher levels of interest income from cash balances.

The net pensions finance charge was £3m (FY 2022 £2m). The net pensions charge for next year is expected to be £1m.

Earnings per share

Basic losses per share, after the separately disclosed items described above, were (0.7)p (FY 2022 earnings 2.2p), with adjusted earnings per share of 16.1p (FY 2022 18.0p).

The basic weighted average number of shares in the period was 595m and the total number of shares issued at the balance sheet date was 598m.

Cash flow

	FY 2023 £m	FY 2022 £m
EBITDA before movements in the valuation of the property portfolio	**362**	374
Non-cash share-based payment and pension costs and other	**6**	6
Operating cash flow before movements in working capital and additional pension contributions	**368**	380
Working capital movement	**(1)**	19
Pension deficit contributions	**(8)**	(44)
Cash flow from operations	**359**	355
Capital expenditure	**(157)**	(122)
Acquisition of 3Sixty Restaurants Limited	**(17)**	–
Cash acquired on acquisition of 3Sixty Restaurants Limited	**5**	–
Net finance lease principal payments	**(52)**	(45)
Interest on lease liabilities	**(16)**	(16)
Net interest paid	**(90)**	(99)
Tax	**(3)**	(2)
Other	**1**	–
Net cash flow before bond amortisation	**30**	71
Mandatory bond amortisation	**(116)**	(110)
Net cash flow	**(86)**	(39)

The business generated £362m of EBITDA before movements in the valuation of the property portfolio.

Pension deficit contributions reduced to £8m as contributions for both the Executive and Main Plan schemes started to be paid into escrow accounts. No further contributions are now anticipated into these schemes.

Capital expenditure increased by £35m to £157m with £11m of the increase in relation to investment in technology to enable progress against our sustainability goals, as analysed below.

An investment of £17m was made to acquire the remaining 60% stake in 3Sixty Restaurants Ltd, owners of Ego Restaurants, partially offset by £5m cash acquired on acquisition.

Before mandatory bond amortisation, cash inflow was £30m (FY 2022 £71m). After mandatory bond amortisation, cash outflow was £86m (FY 2022 outflow of £39m).

Capital expenditure

Capital expenditure of £157m (FY 2022 £122m) comprises £154m from the purchase of property, plant and equipment and £3m in relation to the purchase of intangible assets. Of the £157m spend, £90m relates to the completion of acquisitions, conversions and remodels, with the balance being essential maintenance and infrastructure spend which includes investment to enable our Net Zero transition.

	FY 2023		FY 2022	
	£m	Number	£m	Number
Maintenance and infrastructure	**67**		39	
Remodels – refurbishment	**65**	**127**	60	155
Remodels – expansionary	**4**	**7**	2	5
Conversions	**11**	**11**	6	6
Acquisitions – freehold	**9**	**4**	14	3
Acquisitions – leasehold	**1**	**2**	1	1
Total return generating capital expenditure	**90**	**151**	83	170
Total capital expenditure	**157**		122	

The four freehold acquisitions represent the purchase of two properties previously held as leasehold and two new sites.

To enable our transition to Net Zero emissions we have invested in technologies which reduce our environmental impact. During the period we invested £3m on installing 50 sites with solar panels, with a further c. 150 sites identified for installation during FY 2024, and £8m on installing 1,200 voltage optimisers. These investments will underpin continued reduction in energy usage, which reduced by 3% in the period overall.

Financial review continued

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. The overall property portfolio valuation of c. £4bn has decreased by £192m (FY 2022 decrease of £282m). This reflects £116m impairment included as a separately disclosed item in the income statement and a £76m decrease in the revaluation reserve. In addition, there was a £14m impairment of right-of-use assets and a £1m impairment of goodwill, relating to an historic acquisition, included within separately disclosed items in the income statement.

Net debt[a] and facilities
Net debt[a] at the period end was £1,633m, comprised of £1,170m non-lease liabilities and lease liabilities of £463m (FY 2022 £1,679m comprised of £1,198m non-lease liabilities and lease liabilities of £481m).

During the period we successfully refinanced our unsecured debt facilities which were due to expire in February 2024. The new Revolving Credit Facility ('RCF') has been increased in size to £200m based on a wider banking group, including the continued support of all existing banks, and extends to July 2026. The RCF remains unsecured, with a negative pledge in favour of participating banks, and is based on two main financial covenants – net debt to EBITDA to not exceed 3.0 times (as before) and EBITDAR to rent plus interest of not less than 1.25 times (reduced from 1.5 times).

Further details of existing debt arrangements and an analysis of net debt[a] can be found in Note 4.4 to the financial statements and at www.mbplc.com/infocentre/debtinformation/.

Pensions
During the period we were delighted to announce that the trustees of the M&B Main Pension Plan, working closely with the Company, successfully completed a full scheme buy-in with Standard Life. This transaction follows on from the completion of the buy-in of the Executive Plan announced last year and eliminates substantially all remaining pensions risk in the group.

Following each buy-in, committed contributions were made into blocked escrow accounts, to a balance of £47m. As of September this year all contributions have ceased.

The residual liability on the balance sheet of £22m (before tax) represents an unfunded unapproved pension top-up arrangement in respect of certain members of the M&B Executive Plan.

Going Concern
After considering forecasts, sensitivities and mitigating actions available to management and having regard to risks and uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within its borrowing facilities and covenants for a period of at least 12 months from the date of signing the financial statements. Accordingly, the financial statements have been prepared on the going concern basis. Full details are included in Section 1 of the financial statements.

Approval of the Strategic Report
Our strategic report on pages 14 to 54 has been reviewed and approved by the Board.

Tim Jones
Chief Financial Officer
29 November 2023

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 192 to 195 of this report.