Mitchells & Butlers plc
Registered in England no. 4551498
27 Fleet Street, Birmingham, B3 1JP
Telephone +44 (0)121 498 4000
www.mbplc.com

6 March 2023

Mr Andrew Ninian
The Investment Association
Camomile Court
23 Camomile Street
London
EC3A 7LL

Dear Mr Ninian

Investment Association's Public Register

The AGM of Mitchells & Butlers plc took place on 8 February 2023 and there was one resolution where 20% or more of votes were cast against, this being Resolution 2 (Annual Report on Remuneration).

As requested by the Investment Association's Public Register process, we set out below our comments in relation to this voting outcome.

The Board of Directors are disappointed with the outcome of the voting on this resolution. We have sought to clearly disclose the rationale for the key decisions taken by the Committee during the year in our Directors' Remuneration Report ("DRR") and believe that these decisions were taken in the best interests of all shareholders. In addition, ahead of the 2023 AGM we wrote to our largest shareholders to provide further clarification for the decisions taken and to offer the opportunity to discuss these directly with our Remuneration Committee chair.

Our understanding is that there are three principal issues, on which our comments are set out below.

Decision to review the bonus targets and award a bonus for FY 2022

We strongly disagree that the decision to review bonus targets and award a bonus for FY 2022 constituted upward discretion.

Setting credible targets for a full financial year at a time of great uncertainty is very difficult and the Board are conscious of the need to ensure incentive targets lead to outcomes that are consistent with the performance of the business.

As explained in our DRR, at the start of the second quarter of the financial year the Board noted the significant impact of a number of external events and factors, which were not within the Company's control and that introduced further uncertainty to our industry as a whole.

In this context the Board concluded that the financial targets set in respect of the whole year were no longer appropriate for the c.6,000 employees across the Company that we were trying to incentivise, retain and motivate.

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

The Board is clear that annual bonuses were only paid in respect of the financial targets that were achieved. Targets were not changed or overridden retrospectively in order to achieve a desired outcome in terms of the overall bonus payment. As set out in our DRR, this approach was applied consistently across the Company and as a result the remuneration approach is aligned to the performance which has been delivered against an incredibly challenging backdrop over the year in question.

Alignment of executive director and all-employee pensions

As set out in our shareholder-approved Directors' Remuneration Policy, the CEO and CFO's Company pension contributions will be reduced to align with the wider workforce by no later than the end of the 2024 financial year.

In line with this commitment, the base pay increases awarded to our CEO and CFO with effect from 1 January 2023 are entirely offset by an equal reduction in their cash equivalent pension. We also took this approach in FY 2020 and FY 2022 (no increases were awarded in FY 2021). As a result, their overall fixed pay (base pay plus pension) has not increased since 2019.

This means that the current pension allowance paid to our executive directors is 5.6%. This compares with 4% for the general workforce and we anticipate that alignment will be achieved in FY 2024 in line with our Policy. We also note that the market median level of pension contribution for executive directors in the FTSE 250 is 10% of salary which is in any case materially above our current level.

Although this approach does not yet fully align with IVIS' guidelines in particular, the Committee considers this approach is both reasonable and appropriate.

RSP Award for the CFO

Following the introduction of the RSP in 2021, we determined that aligning the CFO's award with the CEO's award at 100% of salary was appropriate. Some shareholders and proxy agencies had raised concerns that this approach did not fully reflect the usual 50% discount when replacing a performance based LTIP with an RSP. In our most recent DRR, we set out the Committee's view that this award level was appropriate for our CFO who has been in post for 12 years and who has been (and will continue to be) vital in navigating the business through the challenges it faces. Although some shareholders have commented on this approach, it is apparent that the majority of our major shareholders have understood and accepted this position. We therefore consider that this matter is concluded, and I include it here for completeness.

The Board values an open and proactive dialogue with our shareholders and will continue to engage with shareholders in the coming year as part of the review of our remuneration policy, which is due to be put to shareholders at the 2024 AGM.

We acknowledge and accept that this letter should appear on the Investment Association's Public Register.

Yours sincerely

Andrew Freeman

Andrew Freeman
Group General Counsel and Company Secretary