WHITBREAD PLC

Annual Report and
Accounts 2021/22

REST EASY WITH PREMIER INN

INTRODUCTION

A focused hotel group

Whitbread has emerged from the COVID-19 pandemic in a position of strength, bouncing back strongly in the year and returning to profitability.

Our unique vertically integrated operating model gives us a sustainable platform to outperform in the structurally attractive markets in which we operate, built on our scale, brand strength, direct distribution and our leading customer offering. We have a long track-record of generating a strong return on capital for our shareholders, all the while staying true to our Force for Good ambitions.

Our trading momentum in the UK is strong, and we are rapidly expanding our footprint in Germany. We enter the year ahead in a strong position to succeed.

Why we do it

FORCE FOR GOOD

Our Force for Good sustainability programme focuses on enabling people to live and work well, whilst having a positive impact on the world around us

Rest easy from booking to bed

From booking to bed, we're here to help you rest easy

https://www.premierinn.com/gb/en/home

Strategic report

Governance

Consolidated accounts 2021/22

Whitbread PLC Company accounts 2021/22

Other information

FINANCIAL PERFORMANCE

Revenue

£1,703m

2020/21 £590m

UK Market share[1]

10%

2020/21 11%

Adjusted operating profit/(loss)†

£153m

2020/21 (£487m)

Statutory operating profit/(loss)

£227m

2020/21 (£839m)

Operating cash and cash equivalents

£1,132m

2020/21 £1,256m

Adjusted (loss) before tax†

(£16m)

2020/21 (£635m)

Statutory profit/(loss) before tax

£58m

2020/21 (£1,007m)

Total cash capex UK†[2]

£171m

2020/21 £132m

Total cash capex Germany†[3]

£90m

2020/21 £99m

Adjusted basic (loss)/earnings per share†

(2.5)p

2020/21 (287.6p)

Statutory basic earnings/(loss) per share

21.1p

2020/21 (481.9p)

Final dividend per share

34.7p

2020/21 0.0p

Net cash/(debt)†

£141m

2020/21 (£47m)

Operating cash flow†

£404m

2020/21 (£489m)

† See pages 207 to 210 for definitions of alternative performance measures

1 STR data, revenue share of total UK market

2 FY22 includes £1.8m loans advanced to joint ventures

3 FY22 includes £36.3m payment of contingent consideration (FY21: £3.8m) and £1.4m capital contributions to joint ventures (FY21: £1.3m)

A UNIQUE APPROACH

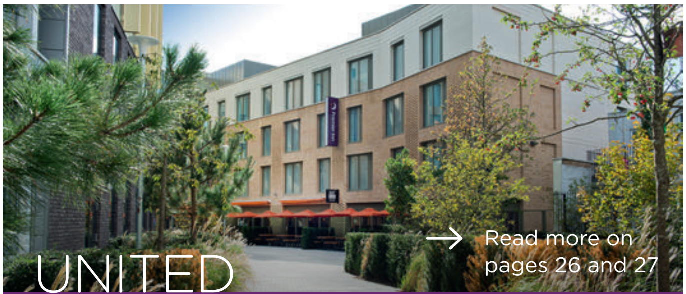
Our ambition

To be the world's best budget hotel brand

Our purpose

To provide quality, affordable hotels for our guests to help them to live and work well and to positively impact the world around us. With no barriers to entry or limits to ambition, we will provide meaningful work, skills and career development opportunities for our teams

Overview



Read more on pages 26 and 27

UNITED KINGDOM*

At Premier Inn, we're here to help the nation rest easy, whether it's a choice of rooms across our 800+ hotels, comfy beds that guests won't want to leave or food to fuel the start and end of every day.

We've got a range of flexible rates to suit everyone, friendly team members who genuinely care and a level of consistency that ensures everyone knows exactly what they're going to get. It's comfort that everyone can count on.

Number of rooms[1]

82,286

2020/21: 78,718

Number of rooms in pipeline[1]

8,332

2020/21: 12,256

Read more on pages 28 and 29

GERMANY

Germany provides a significant opportunity for Premier Inn to grow long term and replicate its UK success, with the German market sharing many of the attractive characteristics we see in the UK.

We continue to grow at pace in Germany, with 37 operational hotels and a committed pipeline of 41 hotels. This progress now gives Premier Inn a national footprint and brings us closer to our goal of becoming the number one budget hotel brand in Germany.

Number of rooms[1]

5,875

2020/21: 4,880

Number of rooms in pipeline[1]

8,454

2020/21: 8,420

* Includes one site in each of Jersey, Guernsey and the Isle of Man and two sites in Ireland

1 As at year end 3 March 2022

Our values

Genuine
Really caring about our customers

Confident
Striving to be the best at what we do

Committed
Working hard for each other

Our hotel brands

Premier Inn · hub by Premier Inn · ZIP by Premier Inn

At Premier Inn we pride ourselves on comfort and quality, so whether you're staying for business or leisure, you'll always enjoy a warm welcome from our friendly teams, as well as comfortable king-sized beds, ensuite bathrooms, a TV with Freeview and Wi-Fi in every room.

Contemporary style combined with great connectivity makes hub by Premier Inn the UK's most space-efficient digitally-advanced hotel. Meanwhile, at ZIP by Premier Inn, you get a small room, a simple stay and, best of all, a price to match.

Our food and beverage brands

Cookhouse + Pub · Bar + Block Steakhouse · thyme Bar + Grill · Beefeater · Brewers Fayre · Whitbread Inns

All our hotels have a bar and restaurant, either within the hotel or just next door, offering a wide selection of meals and hearty eat-as-much-as-you-like full English and continental breakfasts. Beefeater is one of the UK's most well-known restaurant brands and has been welcoming guests for over 40 years. Our newest restaurant brand Cookhouse & Pub is a great place to get together and offers freshly prepared dishes and delicious drinks, with a friendly service and great value. Bar + Block Steakhouse is an informal, all-day dining restaurant with a focus on high-quality steaks and Thyme is Premier Inn's in-house restaurant with a contemporary British menu.

FORCE FOR GOOD

OPPORTUNITY

A team where everyone can reach their potential – no barriers to entry and no limitations to ambition

We will be for everyone, championing inclusivity across the organisation and improving diversity

We will have industry-leading training and development schemes

Team member wellbeing will be considered in everything we do

→ Read more about our opportunity pillar on pages 4 and 5 and pages 40 to 43

COMMUNITY

Making a meaningful contribution to the customers and communities we serve

We will make a positive contribution to the communities we serve

Working collaboratively with our teams and supply chain, we will support our charity partners to meet their mission

We will support the wellbeing of our customers

→ Read more about our community pillar on pages 6 and 7 and pages 44 and 45

RESPONSIBILITY

Always operating in a way that respects people and the planet

We will source responsibly and with integrity

We will reduce our environmental impact

We will always do business the right way

→ Read more about our responsibility pillar on pages 8 and 9 and pages 46 and 47.

Information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logo above

OPPORTUNITY

OPPORTUNITY

WE VALUE DIFFERENCE AT WHITBREAD

FORCE FOR GOOD

This year we have accelerated our progress against our eight Diversity and Inclusion commitments, which launched in autumn 2020. There is more detail on this on page 41.

Stonewall GOLD EMPLOYER 2022

FT FINANCIAL TIMES statista LEADER IN DIVERSITY 2022

DOING MORE FOR **OUR PEOPLE**

Listening to our teams has been a crucial part of our COVID-19 response
We have continued to listen to our teams throughout this year, ensuring their safety and wellbeing is our priority.

→ Read more on page 35

We have invested in operational team pay and reward
This investment into pay recognised the significant effort of our teams throughout an operationally challenging year.

→ Read more on page 34

“

At Whitbread, our people are at the heart of what we do, and this has really been demonstrated throughout the COVID-19 pandemic

Rachel Howarth
Chief People Officer

Recognised as a Top Employer by the Top Employers Institute for the 12th consecutive year

Ranked 24th in the Financial Times Diversity Leaders Index

Received a Gold Award for Excellence in the Stonewall Workplace Equality Index 2022

COMMUNITY

COMMUNITY

SIGHT AND SOUND CENTRE FOR CHILDREN

In July the doors of the Great Ormond Street Hospital Sight and Sound Centre, supported by Premier Inn, opened. This is the UK's first dedicated medical facility for children with sight and hearing loss and was made possible by the fundraising of team members and supply chain partners. Read more on page 45

DOING MORE FOR **OUR GUESTS**

Supporting local charities through food donation

We have continued our partnership with charities such as FareShare to donate food where we have a surplus. Not only does this provide much needed assistance to those in need, but it also minimises the generation of food waste.

Supporting local economies through new openings

We donate volunteer hours to community projects with each new site opening and track the number of jobs each new site creates.

→ Read more on page 45

Peas Please Pledgers

We have been working hard over the year to reduce the sugar and calories in our meals, and are pleased to retain our Peas Please status.

→ Read more on page 44

£20 million raised for Great Ormond Street Hospital Children's Charity over ten years

784 new jobs created through new site openings

Over 620,000 meals donated to local charities

RESPONSIBILITY

FORCE FOR GOOD

ACCELERATING OUR NET ZERO AMBITION

This year we committed to reduce our carbon faster! In the run up to COP26 we signed up to the Race to Zero pledge and pulled our net zero target for scope 1 and 2 forward from 2050 to 2040, which is aligned to a 1.5 degrees pathway. We also set new targets for our scope 3 emissions and will be working with our suppliers to reduce emissions by 50% by 2035 and 64% by 2050.

DOING MORE FOR THE **PLANET**

Green Bond allocation

We have allocated over £404 million of the Green Bond, which we issued last year. An industry first, the proceeds have been allocated against our green energy, sustainable procurement and green building projects.

→ Read more on page 47

Task Force on Climate-Related Financial Disclosure

We have published our first full report against TCFD guidelines, helping us to understand the key risks, opportunities and potential impacts of climate change.

→ Read more on pages 48 and 49

32.3% reduction in food waste

We have continued to reduce food waste across the business and have now reduced it by 32.3% against our baseline year. This is a result of increased efficiencies as well as donating surplus food to charity.

→ Read more on page 47

We have reduced our carbon emissions by 50.1% since our baseline year

Scope 3 carbon target set across supply chain

99.9% of our UK operation's waste diverted from landfill

STRONG **DELIVERY**

Adam Crozier
Chairman

£20m
Raised for Great Ormond Street Hospital Children's Charity

In my report to you this time last year, I concluded by saying that we were optimistic for a better year ahead and that we hoped our business would be fully reopened by May 2021. Looking back, I am pleased to report that we were right to be optimistic and that, for much of the year, we have been able to operate with a good level of normality. However, as we all know, it has still been a bumpy ride, with differing levels of restriction being implemented in the four countries of the UK and, of course, in Germany.

Against this difficult backdrop, Whitbread produced an excellent performance, outperforming the competition and moving back to profitability. Whilst we are optimistic now that we may have seen the last of the lockdowns here in the UK, significant challenges remain and we continue to navigate both supply chain issues and inflationary headwinds.

Once again, our teams across the UK and Germany have done a magnificent job in trying circumstances. They have remained adaptable to constant change and continued to deliver an excellent service to our guests. I am delighted that we have been able to reward them with both a summer bonus and an increase in hourly pay by a minimum of 5%. As well as giving team members a well-earned reward this has, of course, enabled us to remain attractive in a very competitive labour market.

Performance

The statutory profit before tax of £58.2 million benefited from £170.8 million of COVID-related Government support schemes in the UK and Germany, and £74.0 million of adjusting items credits (including £33.2 million profit from property disposals, and £42.0 million of property impairment reversals).

The Group retains a strong balance sheet and liquidity position, with a cash inflow before debt repayments of £80.3 million in the second half. Net cash at the end of the year was £140.5 million. This balance sheet position is enabling investment in our comprehensive growth strategy.

As a result of this performance, the Board recommends a final dividend of 34.7 pence per share. The final dividend will be paid on 1 July 2022 to shareholders on the register on 27 May 2022. The Dividend Reinvestment Plan will operate. Details of how to participate in this plan can be found on the Company's website. Details of the Group's dividend policy can be found in the Chief Financial Officer's review on page 31.

Force for Good

Force for Good continues to drive forward our social and environmental agenda. This year we have been working hard to deliver against our targets and continue to seek out new opportunities to reduce our impact on the environment and to ensure we are doing our best for our people and the communities we operate in. As well as signing up to Race to Zero and bringing forward our commitment to reach net zero carbon for our scope 1 and 2 emissions by ten years to 2040, we have also set our targets to reduce our Scope 3 emissions. Another stand out for me has been the external recognition of our diversity and inclusion work, with awards from Stonewall, the Financial Times Diversity Index and most recently the FTSE Women Leaders Index.

This year we also hit our £20 million target with our charity partner, Great Ormond Street Hospital Children's Charity (GOSH Charity). This has been a big year for our partnership with GOSH Charity, as we have also undertaken a charity review to select our next charity partner, through a Company-wide vote. Our teams told us they wanted to remain with GOSH Charity. We are looking forward to continuing to work with them over the coming years and supporting the world class care they offer to some of the children who need it the most.

However, as we have seen the humanitarian crisis unfold in Ukraine, we have taken the decision to divert all fundraising activities towards the Disasters Emergency Committee (DEC) to support this and help to raise funds for the many people who have been impacted by this tragedy. From the end of March 2022, for three months, we will ensure all funds raised go to DEC.

You can read more about the work that we do and our targets in the Force for Good section on pages 36 to 49.

Annual general meeting (AGM)

It is three years now since we were able to gather in person for our AGM, but I am pleased to say that, barring any unforeseen setbacks, it is our intention to hold our AGM in person again this year.

Last year we worked hard to ensure that shareholders were fully able to participate in our AGM electronically and the technology worked well. We want to give as many of our shareholders the opportunity to attend the meeting as possible and we therefore intend to continue to offer the opportunity to attend electronically, so that there is a choice as to how to attend.

The AGM will take place at 2.00pm on Wednesday 15 June 2022 at Whitbread Court, Porz Avenue, Dunstable LU5 5XE. I very much look forward to seeing you there or, if you prefer, to your attendance via the online platform.

The Board

On 31 August 2021, Louise Smalley retired from Whitbread and stepped down from the Board after 26 years at the Company. Louise held a variety of key transformation and HR roles across Whitbread, including HR Director of David Lloyd Leisure and Whitbread Hotels & Restaurants, before becoming Group HR Director in 2007 and joining the Board in 2012.

Nicholas Cadbury stepped down from the Board on 21 March 2022 after nine years' service as Group Finance Director. Nicholas has played a key role in ensuring that we grew the Company profitably and, in more recent times, he has helped us to emerge from the pandemic strongly with a platform to succeed.

I would like to thank both Nicholas and Louise on behalf of the Board for the significant contribution they made to Whitbread.

Joining the Board is our new Chief Financial Officer, Hemant Patel. Hemant has been with the Company for the last three years, he knows our business very well and brings a wealth of experience to the role, with considerable commercial and operational expertise. Since joining us, Hemant has made a major contribution to the UK business and has worked skilfully across multiple areas of responsibility. Hemant is also a non-executive director and Chair of the Audit and Risk Committee of the Department for Digital, Culture, Media and Sport.

Governance

Strong corporate governance is always vital to the success of a company, but even more so during times of crisis. We have continued to take our governance processes very seriously throughout the pandemic and I believe this has stood us in good stead as we come out the other side. In the governance section of this year's report you will find a new section on how we have monitored Whitbread's unique corporate culture at Board level on pages 76 and 77.

It has been a particularly complex period for the Remuneration Committee as it has balanced the need to incentivise and appropriately reward the executives with the need to remain mindful of the difficulties faced by our stakeholders and the support received from Government. I believe this balance has been achieved and Frank Fiskers explains more about this on pages 87 to 89.

The year ahead

We go into the new financial year with renewed optimism. Whilst 2021/22 was bumpy at times, we were able to make excellent progress and we look forward to the year ahead with confidence that we are well positioned to succeed.

Adam Crozier
Chairman
27 April 2022

INVESTING TO WIN

Alison Brittain
Chief Executive Officer

We invest in growth and innovation

Germany

37
open Premier Inn hotels[1]

6,339
total number of rooms[1]

UK

30
new Premier Inn hotels

1,645
new Premier Plus rooms

Consistent, high quality customer offering

#1

Travel brand for UK consumers in the YouGov Travel Brand & Destination Rankings Report 2022

YouGovBrandIndex

Winner of the YouGov "Best Value Hotel Chain" for the 11th year running

1 As of April 2022.

Whitbread's performance in the year was strong, with revenues and profits recovering exceptionally well from last year. Our hotels traded well ahead of the market in the UK driven by our 'investing to win' commercial initiatives and the strong appeal of our customer offer. As restrictions eased after the first quarter, high levels of leisure demand and improving business demand helped drive UK accommodation sales ahead of pre-COVID levels throughout the summer and into autumn, with sales remaining resilient through the fourth quarter despite the emergence of the Omicron COVID variant. As we move into the next phase of our COVID recovery, this excellent performance, combined with confidence in the Group's outlook, means that the Board is now proposing the reinstatement of dividend payments.

Our teams

Our teams are the most important part of our business, enabling us to deliver our winning customer proposition and drive our excellent business performance. A combination of very high occupancy levels, supply chain issues, and market-wide labour shortages made last year's operational environment challenging. I am extremely grateful to our teams who responded brilliantly and delivered an outstanding performance, as evidenced by our recovering revenues and our strong guest and brand scores.

We believe a talented, motivated and diverse team is critical in delivering our very high levels of customer service and experience. We have no barriers to entry when recruiting new team members, and no limits to ambition when team members progress through the business.

We are committed to supporting our teams in their mental, physical and financial wellbeing. We have invested in our team members' pay, including an additional pay increase in October 2021, and in an "end of summer" bonus for colleagues to thank them for their efforts through our busiest period. We continue to invest in our training and development programmes and have expanded our wellbeing support, including the provision of mental health first aiders and support services. We are delighted that 85% of our employees are proud to work for Whitbread and we have been recognised as a "Top Employer" for the 12th year running.

Our customers

We put our customers at the heart of our business and everything we do is aimed at providing them with a great experience in our hotels and restaurants, while ensuring their safety and comfort. We invest in new hotels in new locations, and in new formats and services, to ensure that our offer remains first choice for both our business and leisure guests. Our winning customer proposition is built on choice, value, quality, service and high hygiene standards, and our flexible booking policy provides peace of mind, allowing customers to book with us in uncertain times. We have very high guest scores, and market-leading brand and value for money ratings. Premier Inn has a long track-record of winning industry awards in recognition of our customer focus, and we have also taken the top spot in some new awards for the first time this year.

2021/22 financial performance – a return to profitability

2021/22 adjusted loss before tax of £15.8m compares to a loss of £635.1m in 2020/21, largely reflecting the strong recovery the business has delivered with 2021/22 statutory revenues 189% ahead of the prior year.

Government restrictions remained in place into the start of this financial year, with our hotels closed to all but essential business guests for the vast majority of the first quarter. However, following the relaxation of restrictions from mid May 2021, our subsequent revenue recovery was very strong, with sales recovering to, and then exceeding, pre-pandemic levels in the UK. Premier Inn's total UK accommodation sales growth also continued to outperform the midscale and economy market, with 2021/22 total sales growth 14.8pp ahead of the market, and 17.3pp ahead in the second half.

> **Our winning customer proposition is built on choice, value, quality, service and high hygiene standards.**

FORCE FOR **GOOD**

We value difference at Whitbread

Diversity and Inclusion continues to be an important topic across society, and I am proud that over the last 12 months we have really accelerated our progress against our eight Diversity and Inclusion commitments. This has been demonstrated through our external recognition by Stonewall, the Financial Times Diversity Index and the FTSE Women Leaders Index.

These commitments have given us a tangible set of actions, ensuring we are championing inclusion as well as driving diversity. I'm encouraged by the progress we've made over the last year and, as a business passionate about being a Force for Good, we know there is more to do to demonstrate that we value difference.

→ Read more about the progress we have made against our D&I commitments on page 40

This strong sales performance, combined with the benefit of Government support and some adjusting items, has enabled the Group to record a small statutory profit before tax in 2021/22, an improvement of over £1 billion loss in the previous year. While this is still behind 2019/20 pre-pandemic statutory profit before tax of £280.0 million, the strength of our revenue recovery means we are confident of a return to pre-pandemic UK profit levels and profit margins, despite the inflationary cost headwinds that we currently see in the market.

Total UK food and beverage sales were 163.4%[1] ahead of 2020/21, but 32.7%[2] behind 2019/20 reflecting the fact that all restaurants were closed from the start of the year until 12 April, when outdoor service only was permitted in England. The estate was largely re-opened on 17 May, with total food and beverage sales improving to 13.3%[2] behind 2019/20 levels in the second half of the year, as the pub and restaurant value-sector sees a slower return to pre-COVID levels.

Premier Inn Germany total accommodation sales were 176.5%[1] ahead of 2020/21 reflecting the rapid growth in the size of the estate. The German market operated under higher levels of restrictions than in the UK, that acted as a significant drag on market demand throughout the year. During the summer, when restrictions were minimised, we saw good trading momentum, especially in those destinations with a greater leisure exposure, such as Berlin, Freiburg and Hamburg.

Optimistic outlook

As we move through the year in the UK, and in the absence of further COVID restrictions, we expect international inbound demand to increase, alongside recovering office-based corporate demand, complimenting the already high levels of leisure and business trade demand. We have good visibility throughout the first quarter and somewhat into the second quarter, however the short booking lead-time nature of our business means we have much less visibility into the second half of the year.

In our restaurants, we anticipate that the rollout of new menus, combined with targeted marketing initiatives, will help drive an improvement in food and beverage sales as we move through the year.

Well publicised cost inflation in 2022/23 is anticipated to be above historic average levels at c.8-9%. We expect to be able to offset some of these higher levels of inflation through our extended cost efficiency programme, estate growth and pricing opportunity.

Our ability to take market share through estate growth and the increased pressures faced by competitors, and our wide-ranging investment in commercial initiatives, will drive revenue growth and operating leverage improvements. Our pricing power in an inflationary cycle, the revenue uplift from our refurbishment programme and investment in Premier Plus rooms, the higher profitability of new hotels and our long-standing cost reduction efficiency programme, combine to give a substantial profit margin potential. We expect this to enable a return to pre-pandemic UK profit margins in the medium term, and to drive attractive returns on capital deployed.

In Germany, COVID restrictions have continued to act as a headwind in the German hotel market into the new financial year. While restrictions are reducing from the beginning of April 2022, the market is still some way behind pre-COVID levels. The weaker market will dampen our trading performance in the short term and combined with the maturity impact of our new estate, will adversely impact profits. As we move into summer, we expect a rebound in leisure demand, and a steady build in business demand, and there is no change in our very positive view of the medium and long-term value creation opportunity for Premier Inn in Germany.

1 Versus FY21 on a 52 week basis.

2 Versus FY20 on a 52 week basis.

Our teams are the most important part of the business.

Strong balance sheet and dividend restoration

The Group's strong asset backed balance sheet, with net cash of £140.5 million and accessible cash of £1,132.4 million at the end of the year, enables the Group to invest in growth and the Premier Inn proposition when others will be constrained. As the business continues to recover, we also expect to return to investment grade leverage metrics. We are "investing to win" in new hotels, new room products, our IT platforms and in marketing, helping to deliver sustained growth in both the UK and Germany. Our strong balance sheet provides us with the flexibility to execute acquisitions in Germany, further accelerating our growth. At all times, we operate with capital discipline, ensuring the optimal use of capital to drive the best returns for shareholders.

The combination of the Group's strong balance sheet, encouraging trading and confidence in the outlook means that dividend payments will now resume, with the Board recommending a final dividend per share of 34.7p resulting in a total dividend payment of £70m, payable in July 2022.

Clear and consistent strategy

We continue to execute a clear and consistent strategy to grow and innovate in the UK, to focus on our strengths to grow in Germany and to build the capabilities required to support our growth over the long term.

The budget branded hotel sector in which we operate is historically the highest growth segment in the hotel market. It has proved more resilient in previous downturns and is also outperforming the rest of the hotel market during this recovery period. Premier Inn has historically been a net beneficiary from consumers "trading down" in times when consumer spend has tightened. Prior to the onset of the COVID pandemic, in 2019 the independent sector still represented 48% of the UK market and 72% of the German market, but both were in long-term decline as customers migrate from independent to budget branded hotels. We now have evidence that the number of independents exiting the market has increased significantly from historic levels, undoubtedly as a result of the pandemic. The Group expects that a heightened level of independent exits will continue for the next 12-36 months, and that this pattern will also be evidenced in Germany. Premier Inn is well-placed to capitalise on this contraction in competitor supply and to take market share in both these markets.

The Group has a long runway for growth in the UK, with detailed network planning supporting a network target of at least 110,000 rooms, representing a growth opportunity of over 33% compared to our current UK estate of over 82,000 rooms. We hold a uniquely advantaged position in the UK market as the largest operator with the strongest brand, alongside our direct distribution, best-in-class operating model and broad customer reach. Furthermore, backed by our strong balance sheet, we have invested through the cycle, in new hotels, Premier Plus rooms and high levels of refurbishments, ensuring we maintain our stand-out customer proposition in the budget sector. This, combined with the evidence of an acceleration of supply contraction within the independent hotel sector, presents Premier Inn with the opportunity to accelerate its market share gains.

The hotel market in Germany is recovering at a slower pace than the UK due to the higher level of Government restrictions which have lasted longer. However, we have no reason to believe the market won't come back strongly in due course. With our open hotel estate now standing at 37 hotels, all now branded Premier Inn, with a further 41 hotels in the pipeline, the foundations of a successful business are already in place. We have great quality hotels in prime locations, appealing to a broad customer base, and scoring highly with our guests. The opportunity for the Group to create value in Germany remains compelling as we look forward to being able to fully trade the estate, in the majority of cases for the first time, in the absence of Government restrictions. We will also continue to take opportunities to grow our German estate and deliver attractive long-term returns.

The 'Rest Easy' multi-channel marketing campaign launched in April 2021.

Investing to win

The Group's flexible balance sheet has enabled a programme of investment in expansion and commercial initiatives that are driving market share gains. The "Rest Easy" multi-channel marketing campaign launched in April 2021 helped to further improve our already high brand recognition scores and drive increased numbers of customers to the Premier Inn website. Our investment in refurbishment will ensure that our hotel estate remains well-invested, at a time when others will be constrained. We now have over 2,000 Premier Plus rooms and will roll-out a further 1,200 in the coming year. These upgraded rooms were initially targeted at business customers, but they have also proved popular with our leisure guests and are delivering a good uplift in room rates. We are extending our business customer reach through an improved business booker portal and utilising a wider network of travel management companies, and we will also continue to invest in our IT platforms, helping further enhance our digital capability, including a new customer relationship management platform that will be introduced in the next two years

In Germany, we have invested in growth, with the estate growing in a transformational way during the COVID pandemic. At the start of the pandemic we had six open hotels, and through a combination of bolt-on M&A activity and rapid organic growth, our estate now stands at 37 open hotels, and a total open and committed estate of 78 hotels.

> **"The Group's flexible balance sheet has enabled a programme of investment in expansion and commercial initiatives that are driving market share gains.**

Force for Good

Whitbread's sustainability programme, Force for Good, is embedded across our business functions, ensuring that being a responsible business is integrated across our operations, which is crucial to our long-term success. It is an ambitious programme, with the overarching objective to enable everyone to live and work well. Following another challenging year, we are proud to have kept our Force for Good commitments and ambition central to our response and how we rebuild after the global pandemic has been of critical importance to us.

During the year we set further stretching targets, including accelerating our net zero carbon target to be achieved by 2040, and setting eight clear Diversity and Inclusion commitments, including a target of 40% female representation in our senior leadership roles, which we have already surpassed. We are making good progress across our ESG agenda and have worked hard to ensure it is fully embedded within the operations of the business.

Continued focus

Whitbread celebrates being 280 years old this year and is a strong and much-loved business, reaching a broad range of customers with the largest network of hotels and restaurants. We will continue to focus on our customers, colleagues, suppliers and the communities we serve, as we continue to grow and develop our Company.

As we move into the next phase of our post pandemic recovery, Whitbread is well-placed to enhance our market leadership position further in the UK, to accelerate our growth in Germany, and drive long-term value for all our stakeholders.

Alison Brittain
Chief Executive
27 April 2022

A CLEAR INVESTMENT PROPOSITION

Continuing to grow and innovate in the UK

→ Read more on pages 26 and 27

UK's largest hotel chain

Premier Inn is the UK's largest hotel chain, with over 82,000 rooms in 841 hotels located across the UK, meaning that customers are never far from a Premier Inn. Our vertically integrated model provides increased control of network planning and property development, meaning we can efficiently access locations where there is opportunity to expand and ensure we have more hotels in locations where our customers want to stay. We can also leverage our network to drive economies of scale. With just over 35,700 employees across our UK hotels and restaurants, we serve over four million customers every month.

UK's favourite hotel brand and winning customer proposition

The Premier Inn brand is synonymous with good value, high-quality rooms in desired locations and great customer service. Full ownership of the brand helps create a consistently high-quality customer offering across our entire hotel network, helping drive market-leading customer scores. In the most recent YouGov hotel BrandIndex survey[1], Premier Inn was voted number one for customer satisfaction, impression, value and likelihood-to-recommend. We are well positioned to take market share as customers seek value, quality, and the familiarity of their most trusted brands.

Best-in-class operations

Our unique operating model provides a clear competitive advantage. Ownership of all aspects of our hotel operations ensures greater control over the customer experience and delivery of a winning customer proposition, providing our guests with more choice, value for money, outstanding product quality and excellent customer service. We are continually evolving our estate through innovative new products such as hub by Premier Inn and Premier Plus, ensuring supply meets changing customer demands. All of our hotels have a bar and restaurant, either within the hotel or located next door. Our restaurants are core to our overall customer offering, helping drive higher RevPAR in our hotels. The success of this operating model is clearly evidenced by our high levels of internal promotions and excellent customer satisfaction scores.

1 Source: YouGov BrandIndex Satisfaction, Impression, Value, Recommended & Quality scores as at 3 March 2022 based on a nationally representative 12 week moving average

Industry-leading direct digital distribution model

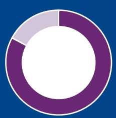
Over 99% of Premier Inn's UK room reservations are booked directly with us. Direct distribution provides complete ownership over the customer relationship and drives significantly lower acquisition and retention costs, unlike many of our competitors, who incur high commission rates to third parties.

Broad customer reach

Premier Inn's UK customer base is very broad, with a roughly even split of business and leisure customers, ensuring we are not over exposed to any one type of customer, and helping drive high occupancy levels. Around half of our business customers are non-office based, i.e. those workers who need to be physically present to perform their jobs, while our office-based guests tend to travel for business-to-business reasons. Premier Inn has relatively few group business bookings (e.g. conferences) and is therefore less exposed to those areas of business travel that may see a structural shift to virtual meetings. Our leisure guests travel for a very wide range of reasons, from those that are event-driven (e.g. weddings, sporting events, theatre breaks) to weekends away with friends and family, through to those taking longer holidays in our tourist destinations. Our geographic spread, with over 80% of our rooms sold in the UK regions, combined with our domestic focus (90% of guests are based in the UK) means that we are exposed to the areas that have recovered quickest from the pandemic.

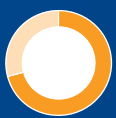
Regions vs London

Premier Inn



PI regions **83%**
PI London **17%**

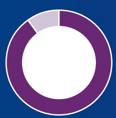
Market



Market regions **71%**
Market London **29%**

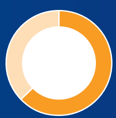
Domestic vs inbound

Premier Inn



PI domestic **90%**
PI inbound **10%**

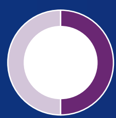
Market



Market domestic **63%**
Market inbound **37%**

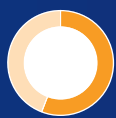
Leisure vs business

Premier Inn



PI leisure **50%**
PI business **50%**

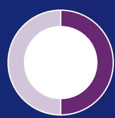
Market



Market leisure **56%**
Market business **44%**

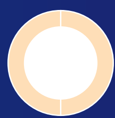
Trades vs office-based

Premier Inn



PI trades **50%**
PI office-based **50%**

Market



Greater proportion of office-based

Source: PI data for the 12 months ending Feb 2022. Market for calendar year 2019, based on room nights sold.

Growing at scale in Germany

→ Read more on pages 28 and 29

Replicate success of Premier Inn UK

Our aim is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of our UK business. The German operating model replicates that used so successfully in the UK, built on operational control and a flexible approach to property.

Ambition to be the leading budget hotel brand in Germany

The total open and committed pipeline in Germany stands at 14,329 rooms across 78 hotels, with 5,875 rooms open in 35 hotels at the end of the financial year (equivalent to 1% market share). In Germany, we are growing at pace, investing in both organic and inorganic growth, and building the Premier Inn brand proposition as we establish a nationwide footprint. As the estate continues to grow, we are focusing on brand building, with nationwide marketing campaigns and new corporate relationships supplementing effective localised brand campaigns. The quality of the hotel and room offering, which is driving high customer scores, is also a key component in driving brand awareness.

Significant headroom to grow

Premier Inn continues to grow its German pipeline and we believe that we have a long-term line of sight to over 60,000 rooms, which would equate to around 6% market share, still only around half of that achieved in the UK. We are pursuing an aggressive growth strategy in the German market, both organically and inorganically, as we look to rapidly establish our footprint and are confident of the opportunity to acquire assets at prices that will drive good returns.

February 2021 German portfolio

30
Open

42
Pipeline hotels

April 2022 German portfolio

37
Open

41
Pipeline hotels

Enhancing our capabilities to support long-term growth

→ Read more on pages 30 to 33

Financial flexibility

The Group's strong balance sheet, with net cash of £140.5 million and accessible cash of £1,132.4 million at the end of the year, supports our investment grade leverage metrics and enables us to invest in growth whilst others are constrained. We are 'investing to win' in new hotels, new room products, IT platforms and marketing, helping to provide a platform for sustained growth in both the UK and Germany. Our balance sheet also provides the flexibility to execute bolt-on M&A deals in Germany, further accelerating our growth. At all times, we operate with strict capital discipline, ensuring the optimal use of capital to drive the best returns.

Asset-backed balance sheet

The Group owns 56% of its hotel estate, with the remaining 44% operated through leaseholds. Freehold ownership provides control over the initial development of the hotel, and subsequent maintenance and redevelopment. Our strong balance sheet, high levels of liquidity and flexible property portfolio provides a source of funding during periods of volatility. A flexible approach to freehold or leasehold acquisitions also ensures new sites are in the best locations and have the optimal size and format.

Lean and agile cost model

Whitbread has a long track record of delivering material cost efficiencies, with £315 million of savings delivered between 2016/17, when the programme was launched, and 2021/22. Market-wide inflationary pressures mean the focus on cost control has never been more important. Our three-year £100 million cost saving programme, initially announced in April 2021 with a completion date by the end of 2023/24, has now been extended to achieve £140 million (+£40 million) by 2024/25. We are making good progress, with this target being achieved through developing our international sourcing capability, investing in our technology platforms and embedding a flexible operating model.

The opportunity also remains for hotel catchment areas to be optimised, with around 8% of Premier Inn's rooms being in hotels smaller than 60 rooms. Managing existing demand in certain locations, through a smaller number of extended or new, larger hotels, allows us to drive a more cost-efficient estate.

Operating responsibly and sustainably

Our long-established Force for Good programme covers large aspects of our ESG agenda and ensures that doing the right thing is embedded in everything that we do. Force for Good is a shared responsibility that operates across three key pillars: 'opportunity', 'community' and 'responsibility'. The ambitions for this programme are illustrated by our stretching targets, all of which hold us accountable for the change we seek to implement.

MARKET REVIEW

We have a business model that delivers an unrivalled mix of quality and value to millions of customers and offers a competitive advantage in the budget, domestic, short-stay market.

Premier Inn is emerging from the COVID-19 pandemic in a position of strength to take market share.

Long runway for growth with scale advantage

Prior to the COVID-19 pandemic, we identified the potential for Premier Inn to grow to 110,000 rooms across the UK. Constraints amongst our competitor sets, as a result of the COVID-19 pandemic, mean this opportunity may be even greater as competitor supply contracts. Our scale in the UK allows us to leverage our brand portfolio to ensure we have the right hotel and restaurant offer by location. Our new hotels are larger than the estate average, more efficient to run, and have better operating leverage.

UK hotel market is in long-term growth

We expect the UK hotel market to continue to grow in the long term. Leisure and travel are becoming more popular, particularly amongst younger people, and in the short term we continue to see the release of pent-up demand following the COVID-19 pandemic. The UK is densely populated, driving domestic short-stay travel for both business and leisure purposes, making the UK a great core market for Premier Inn.

THE UK MARKET[1]

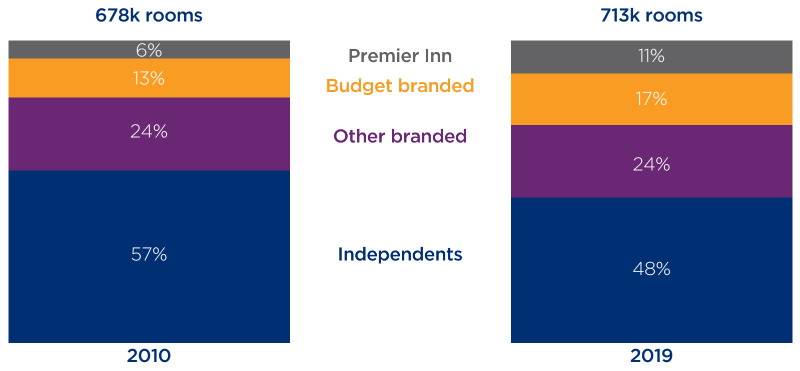
67m
population

713k
hotel rooms

11%
Premier Inn market share of rooms

48%
independent hotels market share of rooms

Multi-year UK growth opportunity



Budget hotel market is structurally advantaged

Within the UK hotel market, the budget branded hotel sector is historically the highest growth segment. It has proved more resilient in previous downturns, and is also significantly outperforming the rest of the hotel market during the post-pandemic recovery period. Budget branded demand has grown faster than the rest of the sector in every year from 2009 to 2021.

Highly fragmented market and accelerated independent decline

Between 2010 and 2019, Premier Inn increased its market share of UK hotel rooms from 6% to 11%, whilst over the same period the independent sector market share declined from 57% to 48%. This illustrated the long-term customer migration from independent to budget branded hotels, from which Premier Inn is well placed to capitalise. Initial signs indicate that this contraction in independent supply may have accelerated as a result of the lower demand for hotels throughout the pandemic.

We believe the opportunity to create value in Germany is significant and our commitment to this market will be substantial.

Our investment in Germany will allow us to continue to replicate our UK success, enabling us to become the number one budget hotel operator in Germany and deliver good long-term returns.

We have rapidly grown our pipeline in Germany in the last two years, with a network that now stands at 37 hotels and a total open and committed pipeline of 78 hotels. This network gives us a national footprint, with a presence across most major German cities and towns.

Accelerated budget branded RevPAR growth

The German market is around 40% larger than the UK, providing plenty of room for growth. Prior to the COVID-19 pandemic, budget branded RevPAR had been growing faster than the UK, at 2.3% CAGR between 2015 and 2019 compared with 1.3% in the UK.

Independent market in long-term decline

The German market is even more fragmented than the UK, with independent hotels making up 72% of supply in 2019. As in the UK, the independent sector is in long-term decline as customers migrate from independent to budget-branded hotels, creating further opportunities for market share gains.

Regional dispersion drives short-stay domestic travel

Germany is more regionally dispersed than the UK, due to its history and federalised political and industrial structure. This geographic spread drives greater demand for short-stay domestic travel, and is particularly business-led. Therefore, there is a greater frequency of travel by the type of customer that Premier Inn excels at serving.

THE GERMAN MARKET[1]

83m
population

993k
hotel rooms

1%
Premier Inn market share of rooms

72%
independent hotels market share of rooms

Significant structural barriers to entry for asset-light operators

Limited new capacity has been added in the budget sector in recent years as a result of the structural barriers to entry that exist in the German property market, including fewer property financing structures such as Real Estate Investment Trusts (REITs). Greater opportunities in the four- and five-star sector also exist for asset-light models. Therefore international asset-light operators have struggled to find franchisees to operate appropriate new hotel sites in the budget sector. The only hotel businesses that have delivered meaningful growth adopt a similar owner-operator model to Premier Inn. In order to add sufficient capacity in the budget sector, an operator needs to be willing to develop freehold, sign long leases or buy out existing operators.

An even greater opportunity for Premier Inn in Germany

As we exit the pandemic, the structural opportunity for the Premier Inn brand in Germany is even greater. We have been able to invest and acquire assets at good long-term returns to take our open and committed pipeline to 78 hotels whilst others have been constrained. There are clear signs that the independent sector is distressed, and we expect the independent decline to be accelerated across the next 18 to 24 months, allowing us to take further market share. The strength of our balance sheet and covenant allows us to be agile and undertake freehold, leasehold and M&A deals as opportunities arise.

1 Source: Company data and estimates, data is 2019; the impact of COVID-19 means that 2020 & 2021 is not a representative year, and is therefore excluded from the date range.

OUR BUSINESS MODEL

The UK's biggest hotel brand

OUR PURPOSE

To provide quality, affordable hotels for our guests to help them to live and work well and to positively impact the world around us. With no barriers to entry or limits to ambition, we will provide meaningful work, skills and career development opportunities for our teams

OUR VISION

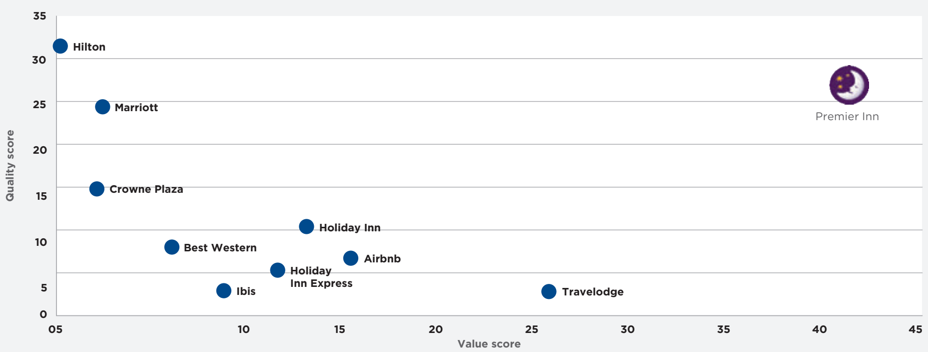
To be the world's best budget hotel brand

THE VALUE WE CREATE

1

Brand strength
Premier Inn is regularly voted as the UK's favourite hotel brand, with a consistent customer offering that is synonymous with high quality, good value and great customer service.

YOUGOV BRANDINDEX[1]



2

Market-leading direct digital distribution
Premier Inn has a market-leading direct digital distribution model with 99% of our bookings made directly through our website. We have complete ownership of the customer relationship and therefore benefit from low customer acquisition costs and high levels of retention.

3

Property flexibility
By controlling and funding our property development, we get the right hotels in the right locations. Our flexible approach to property ownership improves our ability to manage our estate and make decisions to optimise our network.

4

Scale/network
We are the UK's largest hotel chain, with an estate comprising of 841 hotels and 439 restaurants across the UK, 35 hotels in Germany and 10 hotels in the Middle East at the end of the financial year. Our scale provides a diverse portfolio of locations where our customers want to stay and results in efficiencies through economies of scale.

5

Best-in-class operational performance
We own all aspects of our hotel and restaurant operations, ensuring greater control over the customer experience. We provide a high-quality offering at a low cost and deliver this on a consistent basis throughout the estate.

6

Lean and agile cost model
Whitbread has a long track record of delivering material cost efficiencies. Our efficiency programme ensures we retain a lean and agile cost base, enabling us to deliver both quality and value for money for our guests and return on capital for our shareholders.

7

Operating responsibly and sustainably
Our long-established Force for Good programme covers large aspects of our ESG agenda and ensures that doing the right thing is embedded in everything that we do.

1 YouGov Brand Index Quality & Value scores as at 3 March 2022 based on a nationally representative 52 week moving average.

THE PROFIT WE MAKE

Revenue

We are the largest budget branded hotel chain in the UK with a growing presence in Germany and hotels in the Middle East. Our unique model and leading market position in the UK puts us in a strong position to continue to grow, both in the UK and internationally. Our focus on maintaining market-leading guest scores, alongside our dedication to excellent customer service, means we rank very highly amongst our competitors on both the value and quality we provide. Our hotel pricing strategy enables us to optimise our occupancy and rate mix across the booking curve, while our food and beverage offering is a core part of our customer proposition.

How we profit

Whitbread is a business of scale, and therefore, as we grow, a large proportion of our incremental sales convert to profit. The business can leverage its network to drive economies of scale, helping offset inflation alongside our cost efficiency programme. We have a high discretionary free cash flow, which allows us to continue to invest in our estate, execute our growth strategy and maintain an attractive return on capital for our shareholders.

Strong capital discipline

We invest in new hotels for the long term, while also deploying capital on maintenance and product improvement to ensure we continue to provide Premier Inn's consistent high quality. We have invested in our estate 'through the cycle' to ensure we are well positioned to take market share whilst others are constrained. We are pursuing an aggressive growth strategy in the German market, both organically and inorganically, and now have hotels in most major cities and towns. Our strong balance sheet enables us to expand at pace and rapidly establish our footprint, and we are confident of the opportunity to acquire assets at prices that will drive good returns.

THE VALUES WE SHARE

Our customers

We welcome millions of customers to our hotels and restaurants every year, and making a meaningful contribution to those we serve is key. We constantly respond to the changing needs and lifestyles of our customers and ensure our offering is inclusive for all. At the start of the COVID-19 pandemic we introduced new booking types to give customers more choice between fully flexible, semi flexible and value orientated standard bookings. We also introduced a flexible standard booking rate to allow for amendment of dates. We strongly believe in helping our customers make informed choices for a healthier life. We work closely with Public Health England and continue to monitor our menus to ensure we offer an excellent choice of healthy options, with great quality, responsibly sourced, affordable food and drink. We are passionate about the health and safety of our guests, and all of our staff are fully trained to ensure our hotels and restaurants are safe environments for our guests. Premier Inn's owner-operator model ensures that these standards and ways of working can be rigorously enforced across the estate.

Our people

As one of the UK's largest employers, operating across communities in the UK, Germany and the Middle East, we are passionate about recruiting, training and retaining great people. We ensure our people are empowered to grow and develop long-term careers within our business. We have best-in-class development programmes, industry-leading training schemes, and a successful apprenticeship programme. We have embedded a clear wellbeing communication plan to support mental and physical wellbeing for our team members. We are also committed to removing barriers to entry and creating an environment where everyone feels valued and is supported to grow. Whitbread is an inclusive employer, strongly believing that everyone is unique and there should be no barriers to entry and no limits to ambition. We champion inclusivity and improving diversity across the entire organisation and we have set eight Diversity and Inclusion commitments to ensure our teams feel supported and engaged.

Our shareholders

Our focus on consistent returns from an expanding capital base, combined with an ambitious growth strategy, create substantial shareholder value. We have three priorities: to grow and innovate in our core UK businesses to take market share; grow at scale in Germany; and to enhance the capability and infrastructure to support long-term growth. Our long-term growth will be delivered through disciplined capital allocation and a flexible approach to property ownership. This financial strength and flexibility is key to deploying our strategy.

Our communities

Our hotels and restaurants are in hundreds of communities across the length and breadth of the UK. We are often a key part of these communities, and therefore have a big part to play in making them a great place to live, work and do business. We put a huge amount of energy and passion into fundraising for charities, finding new ways to serve the communities we operate in, as well as putting in hours of community support.

PROVIDING SUSTAINABLE LONG-TERM VALUE

We put our customers and teams at the heart of everything we do. Our strategy is to provide sustainable long-term value for our shareholders by growing our successful hotel and restaurant brands in structurally appealing markets, whilst delivering an attractive return on capital.

FORCE FOR GOOD

Premier Inn's strategy is underpinned by its Force for Good programme

→ Read more on Force for Good on pages 34 to 49

CONTINUE TO GROW AND INNOVATE IN THE UK AND TAKE MARKET SHARE

Premier Inn has a current UK estate of 82,286 rooms, with a committed pipeline of 8,332 rooms and line of sight of 110,000 rooms. We look to maintain our position as one of the world's leading budget branded hotels through increasing the size of our estate and optimising our existing network. The advantages of our operating model, the strength of the Premier Inn brand, and our market-leading direct distribution model will enable the Group to deliver substantial market share gains in the UK. We remain focused on maintaining market-leading guest scores and upholding our competitive position in terms of both value and quality through the strength of the brand and excellent customer service. We will continue to innovate new products and services and provide solutions to fulfil customer demand. Further market share gains are expected as a result of the enhanced structural opportunities from the independent sector. The independent sector has been in long-term decline as customers migrate from independent to budget branded hotels, which is expected to accelerate as a result of the COVID-19 pandemic. We are well placed to capitalise on the expected contraction in competitor supply and to take market share.

Total UK revenue
£1,668.2m

UK market outperformance[1]
14.8%

Adjusted operating profit
£199.6m

UK market share growth[2]
3%

YouGov BrandIndex

Winner of YouGov **"Best Hotel Chain"** for **11th** year running

UK 2022/23 priorities

- Continued market share gains
- Hotel and restaurant profit recovery and margin recovery
- Expand the number of Premier Plus rooms
- Maintain excellent guest scores

1 STR data, full inventory basis, M&E excludes Premier Inn on a 52 week basis – restated in line with STR M&E room stock reclassification

2 STR data, revenue share of total UK market, versus 2019/20 on a 52 week basis

3 Source: YouGov BrandIndex Satisfaction, Impression, Value, Recommended & Quality scores as at 3 March 2022 based on a nationally representative 12 week moving average

GROW AT SCALE IN GERMANY

In Germany, Premier Inn has an estate of 5,875 rooms, with a committed pipeline of 8,454 rooms and line of sight of 60,000 rooms. Our aim is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of the UK business. The key focus in Germany is continuing to grow Premier Inn's presence across major towns and cities. We look to replicate the success achieved in the UK market through building our brand presence and delivering a winning customer proposition.

Total Germany revenue

£35.2m

Customer score[4]

88

Adjusted operating loss

£(15.4)m

Germany 2022/23 priorities

- Continue to build a network across key towns and cities
- Build brand awareness in Germany
- Utilise freehold and leasehold flexibility strategy to execute great deals

4 Source: TrustYou scores from March 2021 to February 2022

ENHANCE OUR CAPABILITIES TO SUPPORT LONG-TERM GROWTH

Our strategic priorities remain consistent with our proven plan to create sustainable shareholder value over the long term. We continue to take actions to ensure we develop as a leaner, stronger, and more resilient business through utilising our financial flexibility, enhancing our lean and agile cost model and operate sustainably in everything that we do. We are also continuing to invest in our IT platforms, helping further enhance our digital capability, including a new CRM platform that will be introduced in the next two years. Our successful efficiency programme, vertically integrated model, brand strength, product innovation and direct distribution underpin our consistent quality and competitive advantages. We have extended our three-year cost saving programme by one year to FY25 delivering c.£140m across FY22 to FY25. This next stage of our efficiency programme will ensure we retain our lean and agile cost base. Our balance sheet strength, with freehold backing and strict capital discipline, will ensure that we maintain our financial strength and can continue to invest to win.

Cash position

£1,132.4m

Capex

£261m

Balance sheet leverage

3.9x

Our long-term growth 2022/23 priorities

- Sustain a strong balance sheet and liquidity, including maximising our cash flow
- Demonstrate continued capital discipline in everything we do
- Retention and engagement of teams
- Improve technology capabilities
- Build on our efficiency programme

INNOVATE AND GROW IN THE CORE **UK MARKET**

Winner of the YouGov Best Value Hotel Chain for the 11th year running

99% of Premier Inn UK bookings are made directly through our website

Recognised as 'Top Employer' for the 12th year running

Premier Inn UK[1]

£m	**FY22**	FY21	FY20	vs FY21	vs FY20
Statutory revenue	**1,668.2**	**577.4**	**2,050.3**	**188.9%**	**(18.6)%**
Other income (excl rental income)[2]	70.1	142.5	13.6	(50.8)%	415.4%
Operating costs before depreciation, amortisation and rent	(1,248.6)	(861.7)	(1,270.2)	(44.9)%	1.7%
Adjusted EBITDAR†	**489.8**	**(141.8)**	**793.7**	**445.4%**	**(38.3)%**
Net turnover rent and rental income	3.9	4.5	2.1	(13.3)%	85.7%
Depreciation: Right-of-use asset	(125.2)	(109.9)	(103.2)	(13.9)%	(21.3)%
Depreciation and amortisation: Other	(168.9)	(168.5)	(163.2)	(0.2)%	(3.5)%
Adjusted operating profit/(loss)†	**199.6**	**(415.7)**	**529.4**	**148.0%**	**(62.3)%**
Interest: Lease liability	(124.7)	(117.1)	(115.1)	(6.5)%	(8.3)%
Adjusted profit/(loss) before tax†	**74.9**	**(532.8)**	**414.3**	**114.1%**	**(81.9)%**

Total statutory revenue was 188.9% ahead of FY21 and 18.6% down compared to FY20, with H1 statutory revenues down 39.4% versus FY20, improving to up 4.3% in H2.

On a 52-week basis, total accommodation sales were 190.8% ahead of FY21, and down 13.9% compared to FY20 (H1 down 33.1%, H2 ahead 7.9%).

Open and committed in the UK

91k rooms

FLAGSHIP PREMIER INN OPENS IN OXFORD

In July 2021, the new flagship Premier Inn in Oxford city centre at Paradise Square opened its doors.

The new 90-bedroom hotel, including Premier Plus rooms, has created 27 jobs, will welcome over 35,000 guests every year and has provided the opportunity to improve and enhance Paradise Square in Oxford.

Premier Inn UK[1] key performance indicators

	FY22	FY21	FY20	vs FY21	vs FY21 excl. Wk 53	vs FY20	vs FY20 excl. Wk 53
Number of hotels	**841**	817	820	2.9%	–	2.6%	–
Number of rooms	**82,286**	78,718	78,547	4.5%	–	4.8%	–
Committed pipeline (rooms)	**8,332**	12,256	13,011	(32.0)%	–	(36.0)%	–
Direct booking	**99%**	99%	97%	0bps	–	200bps	–
Occupancy	**68.3%**	29.4%	76.3%	3890bps	3870bps	(800)bps	(820)bps
Average room rate†	**£56.67**	£46.16	£61.50	22.8%	22.4%	(7.9)%	(8.1)%
Revenue per available room†	**£38.69**	£13.57	£46.91	185.1%	183.6%	(17.5)%	(17.9)%
Sales[2] growth:							
Accommodation				198.0%	190.8%	(11.7)%	(13.9)%
Food and beverage				170.2%	163.4%	(30.9)%	(32.7)%
Total				188.9%	181.9%	(18.6)%	(20.6)%
Like-for-like† sales[2] growth:							
Accommodation				189.8%	182.9%	(15.5)%	(17.5)%
Food and beverage				166.6%	160.6%	(32.6)%	(34.3)%
Total				182.2%	175.6%	(21.6)%	(23.5)%

1 Includes one site in each of: Guernsey, the Isle of Man and Jersey and two sites in Ireland.

2 Includes Government support – see Note 9 of the consolidated financial statements for further details.

† See pages 207 to 210 for definitions of alternative performance measures.

COVID restrictions materially impacted the performance of the UK business during the first half of the year. Only essential business guests were permitted to stay overnight until 17 May, at which point overnight leisure stays were permitted. Our restaurants were also not permitted to open for indoor service until the same date, with the majority remaining temporarily closed until then. Our hotels and restaurants then operated largely restriction-free from 19 July, driving a strong improvement in revenues from that date.

Leisure demand in the UK Regions was strong post 17 May and throughout the rest of the financial year, with tradespeople business demand also resilient throughout. Office-based business demand remained behind pre-COVID levels, largely reflecting the various work-from-home guidelines that were in place during the year.

The London market, and in particular central London (c.7% of Premier Inn rooms) has lagged the regions during the COVID pandemic as a result of the low levels of inbound international travel and subdued business commuting, however trends improved during Q2, helped by the domestic leisure bounce, and then in to Q3 as offices reopened.

The emergence of the Omicron COVID variant dampened overall demand in December 2021 and into January 2022, however Premier Inn UK total accommodation sales continued to outperform the market, with trends improving again in February as most remaining Government COVID restrictions were lifted.

Premier Inn total UK accommodation sales growth was consistently ahead of the Midscale and Economy market through the year driving significant market share gains versus the total market, and demonstrating the strengths of our scale, brand, direct distribution model and our winning customer proposition.

On a 52-week basis, total food and beverage sales were 163.4% ahead of FY21 and down 32.7% compared to FY20 (H1 down 51.2%, H2 down 13.3%) with the vast majority of the estate only reopening on 17 May. The overall value pub and restaurant sector's recovery has been slower than other restaurant sectors, and greater impacted in Q4 by the impact of the Omicron variant. New menus, enhanced drinks offering, and improved digital marketing will help drive an improvement in Premier Inn food and beverage sales into FY23.

Other income of £70.1m reflects a £62.0m benefit from the Coronavirus Job Retention Scheme ("CJRS") and other wage support schemes in Ireland and Jersey and an £8.2m benefit from other grants. The Group ceased claiming under the CJRS in May following the full reopening of our hotels and restaurants. Operating costs of £1,248.6m were in-line with expectations and 44.9% higher than FY21, driven by the impact of estate growth, an increase in revenue related variable costs (primarily food and beverage costs of sales), lower levels of the Government's business rates benefit, partly offset by cost efficiencies.

Right-of-use asset depreciation was £125.2m and lease liability interest was £124.7m. During the year, 30 new hotels and 3 extensions were opened, totalling 3,787 rooms and 6 hotels were exited, including 6 disposals, totalling 219 rooms, as the Group continues to optimise the estate when opportunities arise. At the end of the period, the total estate stood at 841 hotels. The committed pipeline of over 8,000 rooms underpins our opportunity to take market share in the UK in the medium to long-term as competitor supply contracts.

Adjusted profit before tax in the UK was £74.9m reflecting the strong increase in statutory revenues compared to FY21 driven by the lower level of COVID restrictions in place, and the subsequent higher levels of demand.

UK outperformance vs Midscale & Economy market

	H1	Sept	Oct	Nov	Dec	Jan	Feb[1]	FY22	Q1 to Date
PI accommodation sales outperformance (vs FY20)[2]	+12.5pp	+13.3pp	+17.1pp	+19.0pp	+20.3pp	+16.5pp	+19.4pp	+14.8pp	+28.3pp
PI market share[3]	11.2%	9.5%	9.5%	9.2%	8.7%	10.6%	10.6%	10.2%	9.9%
PI market share gains pp (vs FY20)[3]	+3.9pp	+2.4p	+2.1pp	+1.9pp	+2.4pp	+3.3pp	+2.7pp	+3.0pp	+2.4pp

1 Excluding 53rd week in FY22.

2 STR data, full inventory basis, 26 February 2021 to 14 April 2022, M&E excludes Premier Inn – restated in line with STR M&E room stock reclassification.

3 STR data, revenue share of total UK market, 26 February 2021 to 14 April 2022.

Strategy in Action continued

FOCUS ON OUR **STRENGTHS** TO GROW IN GERMANY

Entered into relationship with 1st charity partner elected in Germany, CHILDREN

Employing over 900 people in Germany

Leading customer proposition supported by excellent guest scores

Premier Inn Germany

£m	FY22	FY21	FY20	vs FY21	vs FY20
Statutory revenue	**35.2**	**11.5**	**11.8**	**206.1%**	**198.3%**
Other income (excl rental income)[1]	44.3	11.5	0.3	285.2%	14,666.7%
Operating costs before depreciation, amortisation and rent	(65.8)	(43.9)	(23.9)	(49.9)%	(175.3)%
Adjusted EBITDAR†	**13.7**	**(20.9)**	**(11.8)**	**165.6%**	**216.1%**
Net turnover rent and rental income	3.7	3.9	0.8	(5.1)%	362.5%
Depreciation: Right-of-use asset	(22.9)	(16.4)	(0.8)	(39.6)%	(2,762.5)%
Depreciation and amortisation: Other	(9.9)	(5.4)	(1.6)	(83.3)%	(518.8)%
Adjusted operating loss†	**(15.4)**	**(38.8)**	**(13.4)**	**60.3%**	**(14.9)%**
Interest: Lease liability	(8.5)	(6.1)	(0.2)	(39.3%)	(4,150.0)%
Adjusted loss before tax†	**(23.9)**	**(44.9)**	**(13.6)**	**46.8%**	**(75.7)%**

WAREHOUSE OPENED TO SUPPORT EXPANSION PLANS

As part of a long-term solution to support the Premier Inn expansion in Germany, we opened our first warehouse in Haiger, Germany.

This set up provides centralised storage and quicker deliveries to hotels when required, ensures availability of key products during very challenging times, and also reduces delivery costs by optimising deliveries to multiple locations.

Premier Inn Germany key performance indicators

	FY22	FY21	FY20	vs FY21	vs FY21 excl. Wk 53	vs FY20	vs FY20 excl. Wk 53
Number of hotels	**35**	30	6	16.7%	–	483.3%	–
Number of rooms	**5,875**	4,880	1,085	20.4%	–	441.5%	–
Committed pipeline (rooms)	**8,454**	8,420	8,709	0.4%	–	(2.9)%	–
Direct booking†	**97%**	99%	91%	(200)bps	–	600bps	–
Occupancy	**40.7%**	22.5%	58.3%	1820bps	1810bps	(1760)bps	(1770)bps
Average room rate†	**£40.53**	£40.17	£69.47	0.9%	0.8%	(41.7)%	(41.7)%
Revenue per available room†	**£16.49**	£9.02	£40.53	82.8%	82.2%	(59.3)%	(59.5)%
Sales[2] growth:							
Accommodation				185.3%	176.5%	196.9%	189.7%
Food and beverage				369.2%	345.3%	205.0%	191.9%
Total				206.1%	195.9%	198.3%	190.1%
Like-for-like† sales[2] growth:							
Accommodation				114.6%	108.4%	(38.9)%	(41.1)%
Food and beverage				249.6%	238.7%	(40.9)%	(43.3)%
Total				129.6%	122.9%	(39.2)%	(41.5)%

1 Includes Government support – see Note 9 of the consolidated financial statements for further details.

2 Total and like-for-like on a two-year basis vs FY20.

† See pages 207 to 210 for definitions of alternative performance measures.

Total statutory revenue in Germany was up 206.1% compared to FY21 driven by the growth in the size of the hotel estate. COVID restrictions in Germany are administered through a complex framework of national and federal guidelines, resulting in more wide-ranging restrictions than in the UK, both in terms of nature and duration during the year.

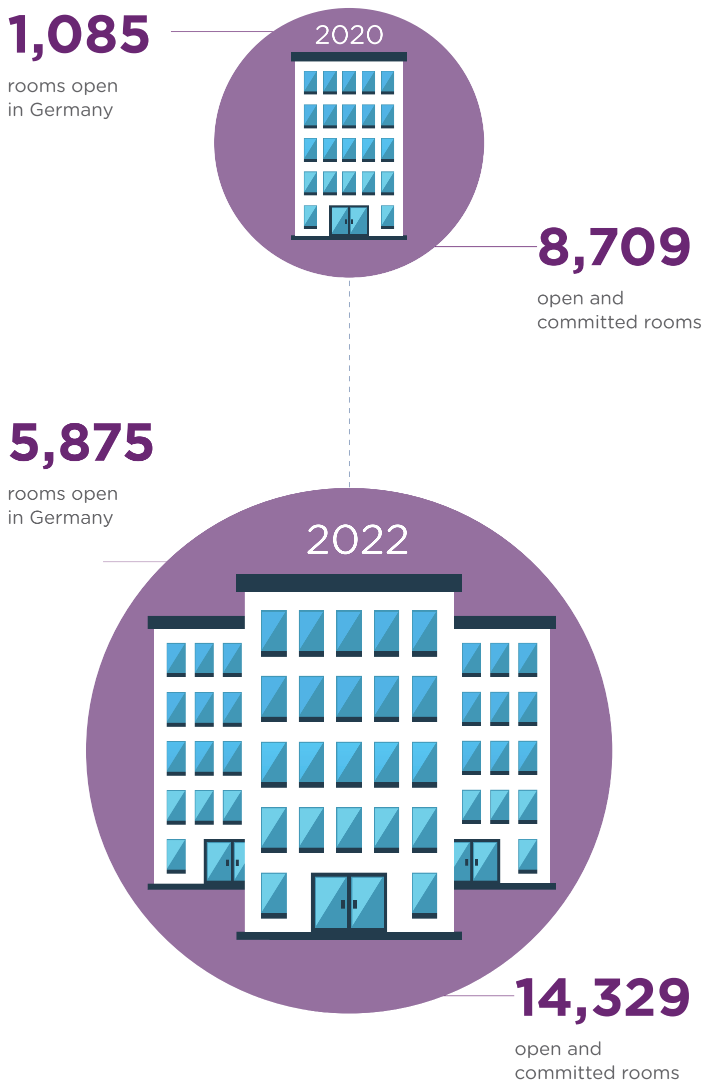
Open and in the committed pipeline

78 hotels

Total accommodation sales were 176.5% ahead of FY21 on a 52-week basis, reflecting the larger estate. At the end of the year, the open estate stood at 35 hotels, compared to 30 open hotels at the end of FY21 and 6 open hotels at the end of FY20. As in the UK, leisure demand was strong in the summer, and our hotels in leisure-led locations performed well. Business demand remained low as a result of the COVID work from home directives that were in place for most of the year, and the absence of most trade fairs. A digital marketing campaign, aimed at establishing the Premier Inn brand credentials in Germany saw favourable results, with brand recognition scores improving, albeit still at low levels.

Other income reflects £43.6m of COVID grants from the German Government. Operating costs increased by £21.9m to £65.8m due to the investment in the business and the increased estate size, partially offset by £0.7m relief from the Kurzarbeit Job Support Scheme in Germany. Right-of-use asset depreciation costs increased by £6.5m to £22.9m over the same period, reflecting the fact that the majority of new opened properties are leasehold. Other depreciation and amortisation costs were £9.9m, and lease liability interest costs were £8.5m. The adjusted loss before tax for the year decreased by £21.0m, compared to FY21, to £23.9m.

During the year, five hotels were opened in Stuttgart, Lübeck, Düsseldorf, Leipzig and Nürnberg and eight were added to the pipeline (with one site being removed). The open and committed pipeline now stands at 78 hotels and over 14,000 rooms, and we are continuing to assess opportunities to accelerate growth organically and through acquisitions.



FINANCIAL PERFORMANCE

Hemant Patel
Chief Financial Officer

Statutory revenue

Statutory revenue was 189.0% ahead compared to FY21, largely reflecting the removal of restrictions in the UK in the second half of the year and the business continuing to trade ahead of the UK hotel market.

Adjusted EBITDAR

Other income of £114.5m includes £62.0m of benefit recognised in respect of the Coronavirus Job Retention Scheme ("CJRS") and other wage support schemes in Ireland and Jersey, £8.2m of other UK hospitality grants and £43.6m of benefit in relation to German Government grants. The Group ceased claiming under the CJRS in May 2021 following the full reopening of our hotels and restaurants Operating costs of £1,345.3m were 43.5% higher than last year driven by the increase in revenue-related variable costs, the growth in the estate in both the UK and Germany, the reduced benefit from the UK Government's business rates holiday (£56.3m credit in FY22 compared to £117.8m credit in FY21) and £0.7m relating to the German Job Support Scheme (£0.9m credit in FY21). Adjusted EBITDAR of £472.6m (H1: £178.3m, H2: £294.3m) was £667.5m up on FY21 as a result of the strong recovery in statutory revenues.

Adjusted operating profit

The leasehold estate grew by net 27 sites in the UK and by 4 sites in Germany compared to the same period in FY21. This resulted in a £21.8m or 17.3% increase in right-of-use depreciation charges to £148.1m. Other depreciation and amortisation charges increased by £4.9m to £178.8m, driven by new hotel openings. The adjusted operating profit of £153.3m compared to a loss of £486.7m in FY21 and a profit of £486.8m in FY20.

Net finance costs

Net finance costs (excluding lease liability interest) were £35.9m compared to £25.2m in FY21. This increase of £10.7m was driven by the current year interest costs for the £550m Green Bonds issued in February 2021, and by higher commitment fees in relation to the updated Revolving Credit Facility.

Lease liability interest of £133.2m was £10.0m above FY21 primarily driven by the opening of net 27 leasehold sites in the UK and 4 leasehold sites in Germany.

Financial highlights

	FY22	FY21	FY20	vs FY20
Statutory revenue	**1,703.4**	**589.4**	**2,071.5**	**(17.8)%**
Transitional service agreement revenue	0.0	0.5	9.4	(100.0)%
Adjusted revenue†	**1,703.4**	**588.9**	**2,062.1**	**(17.4)%**
Other income (excl rental income)[1]	114.5	154.0	13.9	723.7%
Operating costs before depreciation, amortisation and rent	(1,345.3)	(937.8)	(1,323.3)	(1.7)%
Adjusted EBITDAR†	**472.6**	**(194.9)**	**752.7**	**(37.2)%**
Net turnover rent and rental income	7.6	8.4	2.9	162.1%
Depreciation: Right-of-use asset	(148.1)	(126.3)	(104.0)	(42.4)%
Depreciation and amortisation: Other	(178.8)	(173.9)	(164.8)	(8.5)%
Adjusted operating profit/(loss)†	**153.3**	**(486.7)**	**486.8**	**(68.5)%**
Net finance costs (excl lease liability interest)	(35.9)	(25.2)	(13.2)	(172.0)%
Interest: Lease liability	(133.2)	(123.2)	(115.3)	(15.5)%
Adjusted (loss)/ profit before tax†	**(15.8)**	**(635.1)**	**358.3**	**(104.4)%**
Adjusting items	74.0	(372.3)	(78.3)	194.5%
Statutory profit/(loss) before tax	**58.2**	**(1,007.4)**	**280.0**	**(79.2)%**
Tax credit/(expense)	(15.7)	100.9	(62.1)	74.7%
Statutory profit/(loss) for the year	**42.5**	**(906.5)**	**217.9**	**(80.5)%**

1 Includes Government support – see Note 9 of the consolidated financial statements for further details.

† See pages 207 to 210 for definitions of alternative performance measures.

Adjusting items
Total adjusting items were a credit of £74.0m. On 28 June 2021, the Group disposed of a hotel in Putney, London, as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. During the period, the Group has recorded profits on other property disposals of £5.7m.

FY21 adjusting items included a £109.2m impairment charge as a result of the COVID pandemic, primarily relating to property, plant and equipment and right of use assets. Subsequent impairment reviews, reflecting the improved outlook for the Group, have resulted in an element of the FY21 charge being reversed, and a net £42.0m impairment credit being recognised in FY22.

In August 2021, HMRC confirmed it would not appeal the ruling of the First-tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2005 to 2013. The Group has submitted claims which are substantially similar and expects to receive overpaid VAT of £8.7m.

In addition, during the year, the Group recognised provisions of £4.4m relating to historic indirect tax matters

Taxation
The tax credit of £10.7m on the loss before adjusting items (FY21: £94.1m tax credit) represents an effective tax rate on the loss before adjusting items of 67.7%. This is higher than the statutory tax rate largely due to adjustments to management's estimate of deferred tax arising in respect of prior years, offset by expenditure not deductible for tax purposes and the impact of German tax losses not recognised.

The statutory tax charge for the period was £15.7m (FY21: £100.9m tax credit), representing an effective tax rate of 27.0% (FY21: 10.0%). The effective rate is driven by the deferred tax charge of £13.1m relating to the enactment of the increase to the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, the non-recognition of German tax losses, offset by the prior year credit.

Statutory profit after tax
The statutory profit for the year was £42.5m, compared to a loss of £906.5m in FY21, largely driven by the strong recovery in statutory revenue, reflecting the removal of restrictions in the UK in the second half of the year and the £74.0m of adjusting items credits, compared to a charge of £372.3m in FY21.

Earnings per share

	FY22	FY21	FY20[1]	vs FY20
Adjusted basic (loss)/earnings per share†	**(2.5)p**	(287.6)	166.3	(101.5)%
Statutory basic (loss)/earnings per share	**21.1p**	(481.9)	125.3	(83.2)%

1 Restated to include the impact of the Rights Issue completed in June 2020.

† See pages 207 to 210 for definitions of alternative performance measures.

Adjusted basic loss per share of 2.5p reflects the adjusted statutory loss for the year. Statutory profit benefited from an adjusting items credit for the year resulting in a statutory basic profit per share of 21.1p.

Dividend
At the start of the pandemic the Group negotiated covenant waivers on its revolving credit, which prevented the payment of a dividend until March 2023 or such time as the Group reverted to and passed its original covenants.

Following the release of these financial statements, and in line with the continued dialogue the Group maintains with its lending banks, the Group will notify its lending banks of its intention to remove these covenant waivers, and will subsequently issue a compliance certificate to reinstate the original pre-COVID covenants.

Dividend payments can then recommence, with the Board recommending a final dividend of 34.7 pence per share on 27 April 2022, reflecting both the Group's strong balance sheet, encouraging trading, and confidence in the recovery outlook. This will result in a dividend payment of £70m. The final dividend will be paid on 1 July 2022 to all shareholders on the register at the close of business on 27 May 2022. Shareholders will again be offered the option to participate in a dividend re-investment plan. The Group's dividend policy has been reinstated to grow the dividend broadly in line with earnings across the cycle. Full details are set out in note 11 to the accompanying financial statements.

Cash flow
Total net cashflow before shareholder returns and debt repayments was an inflow of £187.0m, driven by a recovery in adjusted EBITDAR to £472.6m, which compared to a loss of £194.9m in FY21, a working capital inflow of £182.5m and £56.4m property disposal proceeds. The net cashflow also benefited from the credit of £170.8m COVID Government grants and support schemes.

Cash flow

£m	FY22	FY21
Adjusted EBITDAR†	**472.6**	(194.9)
Change in working capital	182.5	(99.8)
Net turnover rent and rental income	7.6	8.4
Lease liability interest and principal lease payments	(258.3)	(202.2)
Operating cashflow†	**404.4**	(488.5)
Interest (excl lease liability interest)	(18.0)	(20.8)
Corporate taxes	(0.1)	19.1
Pension	(14.8)	(14.8)
Capital expenditure: maintenance	(93.5)	(69.9)
Capital expenditure: expansionary[1]	(167.5)	(159.6)
Acquisitions	–	(1.1)
Disposal Proceeds	56.4	2.6
Other	20.1	28.4
Cashflow before shareholder returns/receipts and debt repayments	**187.0**	(704.6)
Proceeds from Rights Issue	–	981.0
Proceeds from green bond	–	546.8
Repayment of long-term borrowings	(303.9)	(75.1)
Net cash flow	**(116.9)**	748.1
Opening net debt†	(46.5)	(322.9)
Issuance of green bond	–	(546.8)
Repayment of long-term borrowings	303.9	75.1
Closing net cash/(debt)†	**140.5**	(46.5)

1 FY22 includes £1.8m loans advanced to joint ventures, £36.3m payment of contingent consideration (FY21: £3.8m) and £1.4m capital contributions to joint ventures (FY21: £1.3m).

† See pages 207 to 210 for definitions of alternative performance measures.

The £182.5m working capital inflow was primarily driven by a £101.8m increase in customer deposits and a £44.0m increase in trade creditors and accruals following the strong trading across the last quarter and the business returning to more normal levels of trading. This has resulted in current trade and other payables increasing to £570.7m (FY21: £316.5m) and an increase in trade and other receivables to £116.4m (FY21: £74.2m).

Corporation taxes outflow of £0.1m related to Germany. No corporation tax was paid in relation to UK profits due to taxable losses being incurred.

Lease liability interest and lease repayments increased by £56.1m to £258.3m driven by the higher number of leasehold properties entering the estate, particularly in Germany, and reflect the delayed payment of a proportion of the December 2020 quarter rent payment that would normally have been paid in FY21.

Maintenance capital expenditure was £93.5m and expansionary capital expenditure was £167.5m, resulting in overall full year spend of £261.0m. The £20.1m other inflow is driven by an £8.7m VAT claim, £12.9m of share-based payments and £4.3m of other provision movements.

Disposal proceeds of £56.4m relate to the sale and leaseback transaction of a hotel in Putney, London, the sale of an unused corporate office and the disposal of six hotels, as the Group continues to take the opportunity to optimise the estate when opportunities arise.

During the year £283.5m of US private placements were repaid, incurring £21.2m of make-whole fees partly offset by a £0.8m credit relating to foreign exchange movements. There are now no outstanding US private placements. Net cash at the end of the period was £140.5m.

Debt funding facilities and liquidity

£m	Facility	Utilised	Maturity
Bond	(450.0)	(450.0)	2025
Green Bond	(300.0)	(300.0)	2027
Green Bond	(250.0)	(250.0)	2031
Revolving credit facility	(125.0)	0.0	2022
Revolving credit facility	(725.0)	0.0	2023
	(1,850,0)	**(1,000.0)**	
Cash and cash equivalents		1,132.4	
Total facilities utilised, net of cash[1]		**132.4**	
Net cash†		**140.5**	
Net cash and lease liabilities†		**(3,561.3)**	

1 Excludes unamortised fees associated with debt instrument.

† See pages 207 to 210 for definitions of alternative performance measures.

The Group's aim is to manage to investment grade metrics of FFO lease adjusted debt of <3.5x Net Debt over the medium term. Whilst the Group remains below its historic profit levels, the strong balance sheet cash position and freehold assets support our investment grade rating.

Following the release of these financial statements, The Group will notify its lending banks of its intention to remove the covenant waivers that exist on the revolving credit facility, and issue a compliance certificate to reinstate the original covenants, being:

› Net Debt[2]/EBITDA[2] < 3.5x,

› EBITDA[2]/Interest[2] >3.0x

2 Adjusted pre-IFRS 16.

The Revolving Credit Facility which is currently £850.0m, will step down to £725.0m at 7 September 2022.

During the year, £200.0m US private placement notes were repaid on 26 March 2021, with £25m US private placement notes repaid on 6 September 2021 and the remaining US private placement notes of £58.5m repaid on 14 December 2021. There are now no outstanding US private placements.

Capital investment

£m	FY22	FY21
UK maintenance and product improvement	**91.3**	68.6
New/extended UK hotels[1]	**79.7**	63.2
Germany and Middle East[2]	**90.0**	98.8
Total	**261.0**	230.6

1 FY22 includes £1.8m loans advanced to joint ventures.

2 FY22 includes £36.3m payment of contingent consideration (FY21: £3.8m) and £1.4m capital contributions to joint ventures (FY21: £1.3m).

Total capital expenditure in FY22 was £261.0m, this is lower than expectations (£275m) as a result of the Group's refurbishment programme being delayed by supply chain issues.

Expenditure included £79.7m on developing new sites and extending existing sites in the UK. In Germany, spend was driven by the acquisition of a hotel at Berlin Airport and deferred consideration relating to the Foremost acquisition in FY20.

Property, plant and equipment of £4,227.1m was in-line with FY21 (£4,213.1m), with capital expenditure largely offset by depreciation charge.

Property backed balance sheet

Freehold/leasehold mix	Open estate	Total estate including pipeline
Premier Inn UK	58%:42%	55%:45%
Premier Inn Germany	26%:74%	23%:77%
Group	56%:44%	50%:50%

The current UK estate is 58% freehold and 42% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is delivered. The higher leasehold mix in Germany reflects the start-up nature of the business, where securing optimal site location, particularly in city centres to help build brand strength, is key.

The new site openings in Germany and continued expansion in the UK has resulted in right-of-use assets increasing to £3,267.6m and lease liabilities increasing to £3,701.8m.

Return on capital

The Group remains confident in our ability to deliver long-term sustainable returns on incremental investment. We believe our ability to capitalise on the enhanced structural opportunities that are likely to exist, combined with the competitive advantage of our ownership and operating model, and ongoing initiatives including segmentation and site optimisation, will help offset any adverse structural impact as a result of the COVID crisis. Sector-wide cost headwinds can be countered by our long-standing efficiency programme, pricing power and the benefits of both organic and inorganic growth.

Central and other costs

	FY22	FY21	FY20	vs FY21	vs FY20
Operating costs before depreciation, amortisation and rent	(31.3)	(26.2)	(27.1)	(19.5)%	(15.5)%
Share of profit/(loss)	0.4	(6.0)	(2.1)	106.7%	119.0%
Adjusted operating loss†	**(30.9)**	**(32.2)**	**(29.2)**	**4.0%**	**(5.8)%**
Net finance costs	(35.9)	(25.2)	(13.2)	(42.5)%	(172.0)%
Adjusted loss before tax†	**(66.8)**	**(57.4)**	**(42.4)**	**(16.4)%**	**(57.5)%**

† See pages 207 to 210 for definitions of alternative performance measures.

Central operating costs of £31.3m were £5.1m higher than FY21 primarily driven by increased staff costs and the impairment of a loan to a joint venture. Net finance costs increased by £10.7m to £35.9m primarily as a result of interest costs on the £550m Green Bonds issued in February 2021, and by higher commitment fees in relation to the updated Revolving Credit Facility.

Events after the Balance Sheet date

On 7 March 2022, the Group entered into a sale and leaseback transaction in relation to a property in Marylebone, London receiving proceeds of £46.4m.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 Employee Benefits surplus of £522.6m at the end of the year (FY21: £188.0m). The improved funding position was primarily driven by an increase in corporate bond yields resulting in an increase in the discount rate and asset performance being higher than the discount rate. Aligning the discount rate methodology to reflect common market practice has also contributed to the improved position. This was partially offset by higher than expected inflation during the year and an increase in the expectations for future inflation.

The triennial actuarial valuation of the Pension Fund as at 31 March 2020 has been completed. This resulted in a surplus of assets relative to Technical Provisions of £55m. As a result, no deficit reduction contributions are due, however annual contributions of approximately £10m will continue to be paid to the Pension Fund through the Scottish Partnership arrangements.

As part of the valuation discussion, Whitbread and the Pension Fund Trustee have agreed changes to the security package that supports the Pension Fund. The EBITDA related covenant, which was due to have been tested in March 2022 and if breached would have resulted in a cash payment to improve the funding position to the value of the Secondary Funding Target, has been permanently removed. The security that the Trustee holds over £500m of Whitbread's freehold property (and which was due to reduce to £450m in March 2022) increased to £531.5m and will remain at this level until no further obligations are due under the Scottish Partnership arrangements, which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit.

Going concern

The directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. Full details are set out in note 2 of the attached financial statements.

Hemant Patel
Chief Financial Officer
27 April 2022

OUR PEOPLE

ARE AT THE **HEART** OF WHAT WE DO

Rachel Howarth
Chief People Officer

I am incredibly proud to be part of Whitbread, and have experienced our special culture first-hand since joining in September. Our teams are such a critical part of the experience we give to our guests, and have been an essential part of our COVID-19 response over the last 12 months.

It has been another challenging year, with COVID-19 restrictions continuing to impact sites across the UK and Germany, and supply chain challenges affecting us across the business. All our teams, across the UK, Ireland, Germany, UAE and China, have coped admirably, really demonstrating our values of genuine, confident and committed whilst navigating the ever-changing restrictions with efficiency, pride and care.

It has also been a year where the hospitality industry has been in crisis, with well-publicised team shortages across the summer months as well as supply chain challenges. These challenges were ones that within Whitbread we faced head on, particularly recruiting team members throughout the summer of 2021 where our headcount grew to nearly 36,000 people.

Caring for our teams

Our special culture at Whitbread has really helped us navigate the challenges and complexities of the last 12 months. We truly care for our teams, and over the last year we have demonstrated this through greater investment in wellbeing (physical, mental and financial), reflecting the challenges, increased uncertainty and anxiety the pandemic has created. We provided our teams with communications, support and care as they were navigating a variety of new, uncharted challenges. There is more detail on our wellbeing initiatives on page 43.

Investing in pay and reward for our teams

Financial wellbeing is a key area of importance for our teams, and we have invested significantly in reward and recognition for our front-line teams throughout this year. Early in the year, we continued to utilise the Government Job Retention Scheme in the UK until May 2021 when restrictions were lifted. In April 2021, we increased the pay for all our teams by 2%. Following this, in May 2021, we rewarded all Whitbread employees across the UK and Germany with a special recognition payment – to say thank you for their support and service in the height of the pandemic. We are also proud to have awarded c.29,000 team members across our hotels and restaurants with a summer bonus – an extra week's pay for those who stayed with us over the summer months. In the autumn we then followed this by increasing all hourly pay rates by a minimum of 5%. In Germany, we implemented tariff increases in 2021 in two federal states with an average of a 7% increase to our teams.

In addition, this year we have invested £150,000 in hardship grant funding to be available to our UK-based teams. Through our partners Hospitality Action, we are proud to have this offer for our teams when and if they need further financial support, preventing them from needing alternative, higher interest, financial funding.

Listening has been crucial throughout this year

We believe that great experiences for our guests start with great experiences for our teams. Across the year we continued to listen to our teams through surveys, listening groups and our Employee Forum, which we call Our Voice. Regularly listening to our teams through a range of channels enables an understanding of the quality of the team member employment experience so that it can be improved, supporting higher team retention.

FT LEADER IN DIVERSITY 2022

Stonewall GOLD EMPLOYER 2022

We value difference at Whitbread

Over the last 12 months, we are pleased to have made measurable progress against our eight Diversity and Inclusion commitments, which were launched in September 2020. The detail on this can be found on page 41. It was fantastic to be recognised in the 2022 Financial Times Diversity Leaders Index, ranked at number 24 across Europe, as well as achieving 1st place in the leisure, hospitality and travel sector and a Gold Award for Excellence in the Stonewall Workplace Equality Index 2022.

top EMPLOYER UNITED KINGDOM 2022 CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

OPPORTUNITY

FORCE FOR GOOD

JUSTYNA ROWLEY

Front of House – Brewers Fayre, The Hampton, Peterborough

I was aware Whitbread offered qualifications, and I was looking for a way to gain a qualification while I was working.

I am studying a Hospitality Level 3 apprenticeship. I'm really enjoying the opportunity to learn while working on site, and I'm now taking on more responsibility. I am also completing my English and Maths qualifications, improving my English and Maths as I go.

One great thing is how flexible my apprenticeship is. I always work afternoons and evenings, enabling me to make sure I'm home for my children, including the school drop-off and when they get home from school. My coach is accommodating, putting in our calls at suitable times and being available when needed.

The apprenticeship has helped with my personal development to step up from a team member to a salaried role in the future. It has boosted my confidence at work. I feel like I could be a manager in the future.

OPPORTUNITY

FORCE FOR GOOD

FREDDIE PARKS

Software Engineering Manager – based in Holborn Digital Office

I started with Whitbread in 2016, when our digital function was in its early growth phase. As a developer, I enjoyed the freedom, autonomy and the positive culture. Being part of an agile team was great, and my scrum team was like a family, with a clear roadmap of deliverables.

I work on guest-facing digital projects, as part of the mobile team, working closely and collaborating with the web team on the Premier Inn website. I enjoy working on projects that have a direct impact on our guests as you can get direct feedback.

My experience within Whitbread has been very positive, with supportive line managers who have helped me grow and develop my career. I had opportunities to develop my career with Whitbread and I chose a role where I now manage my own team. I love working with people and supporting others with their own personal growth.

No barriers to entry and no limits to ambition

At the heart of it, we are a people business, and our teams make us special by bringing to life our values of genuine, confident and committed every day. That's why we are passionate about creating the best experiences for our teams – from the moment they think about joining us to walking through our doors on their first day, to progressing a fulfilling career with us through our excellent training and development programmes, including our range of management development apprenticeships which launched this year.

Once again, we are proud to be recognised as a 'Top Employer' in the UK by the Top Employers Institute. This marks our 12th consecutive year and reinforces our ongoing commitment to be the best place to work for our teams and a business that people seek to be part of. This accreditation is only awarded to companies with the highest standards of excellence, helping us gain further insight and feedback to make the experience even better for our teams and those thinking of a career in hospitality.

How we have cared for our teams throughout 2020 and 2021 is something for us to be really proud of, and everything we have put in place sets us up well for an exciting 2022 and beyond. I am very excited to be part of the journey.

Rachel Howarth

Rachel Howarth
Chief People Officer
27 April 2022

SUSTAINABILITY IS AT THE **CORE** OF WHAT WE DO

Chris Vaughan
General Counsel

Being a Force for Good is at the core of our business. We aim to drive meaningful change as a result of our programme, and we believe that a combined focus on our three pillars – Opportunity, Community, and Responsibility, with the overall aim of enabling people to live and work well, does just that. Force for Good encompasses our approach to social and governance issues, addresses our environmental impact and ensures we have a positive impact on the many people and communities our business touches.

This year has been another difficult one with COVID-19 restrictions continuing to impact our operations. All our teams have played their part in navigating these ever-changing restrictions with pride and care, but above all safely, as well as managing the supply chain challenges that we have seen across the business. It is important to pay tribute to the brilliant work which our teams do every day, across all our sites, be that in the UK, Ireland, Germany, UAE or China.

Within this ever-changing environment, we have continued to work hard behind the scenes to evolve our Force for Good strategy, driving forward with new initiatives and targets while maintaining the day-to-day running of our programmes. I want to take this opportunity to thank all our teams who are so crucial in ensuring that we meet our targets.

Over the last year we have had many milestones and moments to be proud of. Not only did we sign up to Race to Zero ahead of COP26 but we went a step further and brought forward our pledge to reach Net Zero Scope 1 and 2 carbon emissions by a decade to 2040. We have also set new targets to reduce Scope 3 emissions by 50% by 2035 and 64% by 2050, and this year, we have committed to achieve full SBTi accreditation.

In February our work on inclusion was recognised through our 2022 Stonewall Workplace Equality Index score, where we were placed 1st in the leisure, travel and tourism sector and received a gold award for excellence in LGBTQ+ inclusion. As a sponsor of our LGBTQ+ network (GLOW) this was particularly satisfying for me, giving well-deserved recognition to the engagement with, and within our teams, and the work of the People and Diversity and Inclusion teams.

We have of course been watching the unfolding humanitarian crisis in Ukraine. With so many families displaced through this tragic situation, we have considered how best we can provide the support which is so needed. We have not only committed to divert all fundraising raised for three months from March 2022 to the Disaster Emergency Committee (DEC), underwriting a minimum of £500,000, but we are also working with other charities to donate bedding to those in need. We continue to asses ways that we can support, for example in the provision of rooms to refugees.

Contributing to charitable causes has always been a core part of the Whitbread culture, and we will celebrate our 10-year anniversary later in 2022 with Great Ormond Street Hospital Children's Charity (GOSH Charity). This year we hit our target of raising £20 million and a personal highlight for me was the opening of the Sight and Sound Centre supported by Premier Inn, the UK's first dedicated medical facility for children with sight and hearing loss. This would not have been possible without the fundraising of our teams, suppliers and the generosity of guests. Whitbread's commitment to GOSH Charity was cemented this year as they came top in a charity partner re-pitch, and I am delighted to say that we have agreed to extend our partnership with GOSH Charity. We undertook this to make sure that our teams have input into the charity that they fundraise for.

We have of course continued with our efforts on other fronts: making progress with our stretching Diversity & Inclusion targets, reducing food waste, and ensuring that all of our critical commodities are sourced responsibly.

This year we have also undertaken our annual materiality assessment, reaching out to internal and external stakeholders to ensure that the issues that we are tackling are the most material to the business. It is always interesting to see the results and to anticipate new trends and areas to explore. It was great to see that the key issues that came out top are already on our agenda with a few interesting areas to explore more fully this year, such as biodiversity.

With such a strong foundation in place I am excited to move into the new year with a clear focus on the delivery of our targets. Key priorities for the next 12 months will be working with our suppliers to develop a clear trajectory to reach our Scope 3 targets, achieving our SBTi status for Scope 1 and 2 emission targets and continuing to build our partnership with GOSH Charity. I also want to make sure that we communicate our Force for Good progress more widely, and effectively, not just ensuring our teams are engaged but to work more widely with the industry and to ensure customers and other key stakeholders see more of the work that we do.

Force for Good is what continues to make us stand out in a competitive marketplace. As a business with such a large scale, we know that every little thing we do can make a big impact when we work together. Force for Good is how we drive this, and we see it every day in our team's commitment to go the extra mile for each other, our guests, and the world around them. We are looking forward to building on this and harnessing the opportunities, innovation, and excitement that Force for Good brings to the business.

Chris Vaughan
General Counsel
27 April 2022

Force for Good in 2021/22

FORCE FOR GOOD

Our strategy is split into three pillars...

OPPORTUNITY
A team where everyone can reach their potential – no barriers to entry and no limitations to ambition.

COMMUNITY
Making a meaningful contribution to the customers and communities we serve.

RESPONSIBILITY
Always operating in a way that respects people and the planet.

Which helps us to do business in the right way, supporting our...

Teams
- Championing inclusivity and improving diversity
- Industry-leading training and development
- Team member wellbeing is considered in everything we do

Environment
- Science-based targets to reduce our carbon emissions intensity
- Eliminating unnecessary single-use plastics
- Reducing food waste

Communities
- Supporting our communities' economies
- Supporting our charity partners to meet their mission
- Community engagement e.g. volunteering schemes

Suppliers
- Sourcing responsibly and with integrity
- Respecting the human rights of everyone in our supply chain
- Ensuring our suppliers are paid on time

Guests
- Improving the nutritional value of our menus
- Ensuring the highest levels of safety
- Developing an environmentally friendly customer proposition

Allowing us to...

- Attract more customers
- Lower energy consumption
- Increase productivity
- Benefit local communities
- Motivate our workforce
- Adapt our business model
- Source responsibly
- Reduce waste

Enabling us to drive growth at good returns and deliver long-term value

FOCUSED ON A **FORCE FOR GOOD**

FORCE FOR **GOOD**

Q&A with Rachel Howarth & Chris Vaughan

What are you most proud of achieving this year?

CV This year has been another challenging year, for many reasons. I'm proud that we have continued to push forward the Force for Good agenda amid much uncertainty. Be that fundraising for our partner charity, continually improving our supply chain credentials, or setting targets for our Scope 3 emissions. Not only that, we have actually managed to enhance some of our targets this year, for example, bringing forward our Scope 1 & 2 Net Zero target by ten years to 2040. The Green Bond allocation and our first full TCFD report also stand out for me.

RH This year has been a complex year to navigate, and the highlight for me is how our teams across the business have really stepped up to deliver a great guest experience, amid differing restrictions, labour shortages and supply chain challenges, amongst others. Our teams have truly delivered, for each other and for our guests, and this makes me immensely proud.

Why is it so important to have a programme like Force for Good?

CV We know that sustainability programmes are expected and have become non-negotiable for businesses like ours – it's part and parcel of running a great business. More and more consumers are concerned with the sustainability credentials of the companies they spend their money with – and, of course, our shareholders expect it, too. Force for Good is also a source of pride within the teams and an agenda they can really rally around. It gives us clear targets and structure, so we can plan our response to the many pressing environmental and social challenges we face.

How embedded is Force for Good across Whitbread?

CV It's truly embedded across all our departments. We have our core sustainability team who manage the strategy development, drive progress and coordinate reporting, but the delivery of most of our key targets happens through the line, where change and impact can really be harnessed. Delivery of our Opportunity pillar, for example, sits within our People function; our Community pillar within our operations and restaurants teams; and our Responsibility pillar within property and procurement. We know that it's important to our team members to work for a company that makes responsible social and environmental choices. Force for Good is a key part of induction and we aim to embed this throughout the organisation, from housekeeping to procurement and finance. With a large, ever-evolving programme, we are always working to engage with our teams; to hear more from them and improve our operations to ensure that we can meet our targets.

RH Our teams are really engaged with Force for Good, and the different areas it covers are ones that are important to them. In particular, we know our teams are especially enthusiastic about our charity partnership and really enjoy fundraising and supporting them.

How are we embedding sustainability and Force for Good in our finances?

CV This year has been a game changer for us in terms of how we incorporate sustainability into our finances. We have allocated £404 million of the £550 million Green Bond which we issued last year and have also released our first full TCFD report to analyse the risk posed to the business from climate change. This work is key to futureproofing our business and an exciting opportunity to engage with new investors and stakeholders around sustainability.

It has been widely reported that the pandemic has meant staff shortages in hospitality. How has Whitbread been impacted in the last 12 months?

RH The whole industry has experienced both recruitment and retention challenges across the last year, which has been widely reported across the media for the hospitality sector. We have faced shortages in our teams, both directly and indirectly in our supply chain.

Our teams want to deliver a great experience for our guests who come to stay and dine with us, and this has been incredibly challenging, particularly through the summer months in 2021. During this time, our teams have taken a great deal of pride and resilience in finding a way to still deliver great service. Whilst the year has been challenging, we have been delighted to welcome over 20,000 new joiners to our teams this year, and I really feel that we are ending the year well placed to deliver a great experience for our guests in 2022.

How have we supported our teams during the pandemic?

RH On joining Whitbread in September 2021, our special culture and what it means to work here is something that has really struck me.

RH We have truly cared for our teams throughout this pandemic, in terms of both their safety (through many listening forums and initiatives), and their mental, physical and financial wellbeing (through increased communications, manager capability and other initiatives detailed in the Opportunity section). I am particularly proud of how we supported our teams financially throughout lengthy furlough periods, alongside the significant pay intervention in autumn 2021 which increased all hourly pay rates by a minimum of 5%, which was on top of a 2% increase in April 2021. The cumulation of all these initiatives leaves an enhancement of this special culture at Whitbread, which we can build on in 2022 and beyond.

How will energy prices impact our Force for Good programme?

CV We are operating in a volatile marketplace and have seen prices rise across the board. We use renewable electricity across our UK, owned and operated estate, and will continue to do this as a core part of our Net Zero by 2040 commitment, and we invest capital in energy saving products such as synergy grills and heat pump technologies. We're working hard to create efficiencies across our estate to drive down the amount of energy we rely on, overall, as well as working with our team members at site level to manage our energy efficiently. This next year we will have energy as an indicator on our WINcard, ensuring we incentivise energy reduction, helping to reduce energy demand and soften the impact of price rises.

How is Whitbread supporting the wellbeing of its teams?

RH Wellbeing is really part of our culture at Whitbread – we care about our teams, and this has never been more important than during the last two years. We have a Wellbeing Strategy that focuses on four areas of accountability – the line manager, peers and colleagues, the individual and the organisation. A large part of supporting wellbeing is how we support the individual, and we have increased communications, have a new Wellbeing Hub of information, and ensure wellbeing conversations happen in performance reviews.

RH Organisationally, we have also increased the number of mental health first aiders, invested in additional financial support through hardship grants, and of course we have our Employee Assistance Programme, Hospitality Action, which can support our teams and line managers any time and in multiple languages.

What is next for Diversity and Inclusion commitments within Whitbread?

RH Our Diversity and Inclusion commitments have given us a clear focus since they were launched in 2020, and I am proud of the progress we are making, both with our representation levels vs our targets, and also how we continue to embed a culture of inclusion for all, ensuring there are no barriers to entry and no limits to ambition, for anyone, however they identify.

As we are well on course to exceed our Diversity targets, now is the right time to look even further ahead, and bring in even more stretching targets looking ahead to 2026. These are detailed in the Opportunity section of the report, and demonstrate that getting to our 2023 targets is not enough – we will continue beyond these, with our aim to reflect society as a whole.

What are you most excited about in the coming year?

CV I'm looking forward to making good progress against our carbon targets – we've set more targets, and it's time to deliver against them. We will be continuing our trials of new technology across the estate to help shape our glide path to 80% reduction by 2030 and then more beyond that to Net Zero. Addressing our Scope 3 targets is also something I'm really looking forward to getting going – as the largest part of our emissions, it is vital that we work with our suppliers to reduce these where we can. And lastly, engaging more with our staff, customers and stakeholders on our programme. I truly believe Force for Good could be a USP for our brands, and we want to try and make that happen.

RH As we come out of the pandemic, I'm really looking forward to having a full year's trading, and I'm excited about the opportunities that will bring us as a business across both the UK and Germany. Since I joined Whitbread I have met so many of our teams who have passion for hospitality, and I know that our teams are excited to get back to doing what they love – serving our guests and helping them create special moments.

2021/22 ANNUAL REPORT SUSTAINABILITY TARGETS

As a large business we know that every small action can add up to a material change to our people, the communities and customers we serve, and the planet. We started the year with a series of ambitious targets against our Force for Good strategy. While this year has been another challenging one we are proud that we have continued to move forward, at times even bringing our timelines forward, and ensuring we remain focused on driving positive change and creating value, while mitigating any negative impact that our operations might have.

Our targets, our progress against them and more information on the work we have done can be found on pages 40 to 47.

OPPORTUNITY

A team where everyone can reach their potential with no barriers to entry and no limitations to ambition.

OPPORTUNITY

TARGET	PROGRESS AGAINST TARGETS IN 2021/22
We will be for everyone, championing inclusivity and driving diversity To have greater diversity in our leadership population, with a target of 8% ethnic minority and 40% female representation by 2023	**42%** Female representation, an increase of 5% from last year **5%** ethnic minority representation, an increase of 2.8% from last year in our leadership population as of 3 March 2022
Through our apprenticeship programmes we will support people to find and develop their hospitality careers	**274** apprenticeships completed this year within our teams
We aim to promote internal succession above external recruitment and will support our teams in this endeavour	**2/3** of the promotions in our management teams were internal this year
We will be bold about broadening career opportunities, supporting cross-functional and meaningful career development	Continued progress – more detail can be found on page 42.
We will listen genuinely to our teams, ensuring their views help inform decision making	Continued progress – more detail can be found on page 42.
We will support the physical and mental wellbeing of our teams	Continued progress – more detail can be found on page 43.

Our Opportunity pillar brings to life the experience that we want our teams to have when they work for Whitbread, combining career opportunities with team wellbeing, underpinned by an environment that is inclusive and allows everyone to be themselves.

We will be for everyone, championing inclusivity and driving diversity

We want to be as diverse as the communities we serve, and create an environment for our teams and guests where difference is valued. This year we have accelerated our progress against our Diversity and Inclusion commitments, which were put in place in 2020 to drive our progress. As a result of strong progress to date, we have stretched and extended our targets with additional 2026 representation targets for gender and ethnicity in our leadership population. We are pleased to be making progress with the diversity of our leadership community, and proud to have been highlighted in the 2021 FTSE Women's Leaders review in the top ten across the FTSE 100 for female representation at Executive/Direct Reports level. We currently have 42% female representation, and 5% ethnic diversity in our leadership population, and are on track to deliver our 2023 diversity targets of 40% female representation and 8% ethnic minority representation. We are confidently on our way to achieving our 2023 targets, and therefore now is the right time to stretch ourselves further, recognising that we want to be as diverse as society at all levels of our organisation. Our new 2025/26 targets stretch female representation to 45% and minority ethnic representation to 10%, in our leadership population.

Our commitments to greater diversity:

- To have greater diversity in our leadership population, with a target of 8% ethnic minority and 40% female representation by 2023, stretching to 45% female representation and 10% ethnic minority by 2025/26
- Have targets for greater ethnic diversity in our middle management population through stringent recruitment practices that mitigate individual biases
- Invest more in a diverse talent pipeline to ensure we can promote diverse talent equitably
- Get better data and insight to understand individual experiences further

Our commitments to greater inclusion:

- Equip our teams to be fluent around Diversity and Inclusion, through mandated development and having an accessible D&I hub
- Amplify the voices of all our minorities, through the sponsorship of networks and forums
- Review our policies and practices to make sure they are inclusive of minority groups
- Celebrate key events throughout the year

Gender*

	Executive Committee		Leadership community**		All employees	
Women	2	25%	35	42%	24,168	65%
Men	6	75%	49	58%	12,816	35%

* As an inclusive organisation, we recognise all gender identities, and understand that not all our teams will identify as male or female.

** Leadership community is defined by reference to grade and includes those we deem to be in a senior management role and their direct reports

We have focussed significantly on our inclusion commitments this year, with a belief that creating an environment of belonging for our teams and guests is one of the most important actions we can take. Our inclusion networks have been central to this work, and we are proud to now have four that represent communities that are under-represented in society – Gender Equality, enAble (disability), GLOW (LGBTQ+) and Race, Religion and Cultural Heritage. In addition, in Germany we have introduced our inclusion networks for the first time, launching Accessibility and GLOW to our German teams.

enAble GENDER EQUALITY NETWORK GLOW RACE RELIGION & CULTURAL HERITAGE NETWORK

Our work on inclusion has been recognised through our 2022 Stonewall Workplace Equality Index score, where we were placed **1st in the leisure, travel and tourism** sector and received **a gold award for excellence in LGBTQ+ inclusion**.

OPPORTUNITY

TALVINDER HEER

General Manager, Brewers Fayre, Old Brickworks, Leeds
Member of the Race, Religion and Cultural Heritage Steering Committee

I am passionate about people and believe in the oneness in humanity. I joined the Race, Religion and Cultural Heritage network because I wanted to make a genuine difference to our diversity agenda by working alongside like-minded colleagues. In the modern world in which we live, we have more diverse families.

I want future generations to have no barriers to entry, and equality for everyone regardless of race, religion, gender or sexuality.

I want to make the world a better place for everyone through both educating and enlightening myself and others. The collaborative work with my network colleagues continues to be enjoyable, and something I can do to contribute to Whitbread being more diverse and inclusive in years to come.

Industry-leading training and development

In the UK, we have re-launched our induction programmes this year, which has enabled our site managers to welcome, induct and train over 20,000 team members. In total over 930,000 online courses have been completed by our UK operations teams, enabling them to have the tools to do their job and look after our guests with competence and confidence. In addition, 274 of our teams have completed their apprenticeships this year. We are proud to have an apprentice programme available for every role in Premier Inn and Restaurant operations, and this year launched our management development apprenticeships. These 18-month Level 4 qualifications will help support our teams to progress their management careers with Whitbread.

In a year where we have filled vacancies with great talent to serve our guests, our teams have also focused on building talent pipelines for the future through the Government funded Kickstart scheme. Offering work placements and training to 16-24 year olds, we have offered c.200 Kickstart opportunities so far, with high levels of retention and engagement from those on programmes. We hope that many will transition to permanent employment with us at the end of their programme.

We will listen genuinely to our teams, ensuring their views help inform decision making

Across the UK and Germany, we have completed a significant amount of listening throughout the year. Pulse surveys, introduced during the pandemic, have now become our preferred way of understanding our teams' experiences in both the UK and Germany. In the UK, over 7,000 team members and managers from across our UK hotels and restaurants took part in our autumn pulse survey. It was pleasing to see that the focus on keeping our teams safe as restrictions eased had been maintained, with 87% of respondents indicating that they felt COVID-19 safe at work. We also maintained good scores against areas of cultural strength; 86% of respondents reported fair treatment regardless of personal background, 86% felt they could be themselves at work (a key measure of inclusion) and 85% reported being trained well to perform their role.

Within our UK Support Centres we have regularly surveyed our central teams. The surveys indicate that despite a prolonged period of working from home, we have maintained areas of cultural strength; 92% felt it was important that Whitbread is a Force for Good, 92% were clear on how their role supports Operations, and 88% feel able to be themselves at work. In addition, 85% were proud to say they work for Whitbread.

In Germany, we conducted two pulse surveys in 2021. In our most recent pulse survey, 77% of our teams felt well connected to their team and 67% felt well informed about the business and adjustments in their daily work.

Our Employee Forum; which we call Our Voice, is made up of formally elected representatives from across our hotels, restaurants and Support Centre. Our Voice is designed to connect our senior leaders with our front-line teams for two-way conversations about the business. Across this year, sections of our representative community have regularly met with Alison Brittain, Chief Executive; Simon Ewins, Managing Director, UK Hotels & Restaurants; Nigel Jones, Group Operations Director; Rachel Howarth, Chief People Officer and our Operations Directors, to understand business challenges from the perspective of our teams and to ensure that 'employee voice' helps shape decisions that solve those challenges.

In May 2021, the Our Voice representatives had a pivotal role in supporting the reopening of our hotels and restaurants to ensure that any COVID-19 concerns were resolved. By working closely with senior leaders, they relayed any concerns they heard, helping us successfully reopen whilst maintaining the confidence of our teams in our approach to keeping our customers and our teams safe. The representatives within Support Centre took the same approach as we reopened our offices in the autumn.

Our representatives have also highlighted the increasing importance of ensuring that wellbeing is considered in everything we do and their feedback has helped shape our activity plan into 2022.

Team member wellbeing is considered in everything we do
Mental, physical and financial wellbeing has been invested in throughout this year, enabling our teams to be their best, and our managers to support their teams. Enabling our teams to navigate a variety of personal and professional challenges, across the peaks and troughs of the ongoing pandemic has been absolutely crucial, enabling us to offer our teams reassurance and support.

In 2021 we have:

- Invested in more mental health first aiders, taking our total to 54 mental health first aiders and 86 trained mental health champions
- Listened to our teams about wellbeing and what is important to them
- Invested £150,000 in Hardship Grants, delivered through our partnership with Hospitality Action
- Delivered training to our teams and line managers about positive wellbeing
- Continued with Wellbeing Wednesday communications, connecting our teams with relevant content every month

OPPORTUNITY

FORCE FOR GOOD

NICOLE BECKER-MANGOLD

Assistant Hotel Manager – Premier Inn Stuttgart Feuerbach
Nicole is one of the founding members of our German Premier Inn Inclusion Network 'Nationality, Cultural Origin & Religion', which was set up in 2021, because of her personal experience.

In 2012, Nicole and her French-born husband adopted a baby from Haiti, Skylar. Skylar quickly settled into her new home and spread a lot of joy with her positive nature. Today, Skylar is ten years old and goes to high school. She has a big heart, is sporty, communicative, and socially integrated.

Unfortunately, these qualities have not protected her from racist hostility throughout her life, from derogatory looks to exclusion at kindergarten. That is why Nicole joined our Inclusion Network, where she shares her experiences and continues to learn from her colleagues.

OPPORTUNITY

FORCE FOR GOOD

THOMAS WIGGANS

Head Housekeeper – Liverpool Airport Premier Inn and Our Voice representative
I decided to put myself forward as an Our Voice representative because I have a passion for creating a safe, happy and efficient working environment for our teams. Whitbread is well known for being an outstanding employer and I think it's really important that we maintain that reputation and listen to the views of our hard-working teams.

Since becoming an Our Voice representative, I have really enjoyed communicating feedback to our Operations Director and Managing Director, and building relationships with multiple leaders in the business. They really show how passionate our leaders are about the wellbeing of our teams at our meetings. They have a real interest in how we can work in different ways to improve our business for our teams, and in turn, our guests.

We have brought our wellbeing strategy to life in a meaningful and pragmatic way, supporting our teams in the moment they need it, across the UK and Germany. Our Wellbeing Hub has been an essential enabler and has opened up a variety of choice and help for our teams to either use for themselves or for their wider teams or family. We have also promoted the excellent support our teams can get from Hospitality Action, our Employee Assistance Programme, including wider exposure of the Management Hotline to assist line managers. All of this support has helped us be very clear to our teams, particularly all our new team members, that team member wellbeing is considered in everything we do.

Listening groups have enabled us to build a greater understanding of some of the issues our teams have faced across the last year. Within Support Centre, a series of listening groups across our central teams enabled us to shape how we returned to the office once Government restrictions were eased in the autumn of 2021 and enabled us to develop our hybrid approach to working, balancing working from home and within our sites. Across Operations we listened to our salaried managers to identify the root causes of their workload pressures and the knock-on impact on their work/life balance, listening to their recommendations about where we could remove tasks or make things easier.

COMMUNITY

The community pillar is all about making a meaningful contribution to the customers and communities we serve.

COMMUNITY

TARGET	PROGRESS AGAINST TARGETS IN 2021/22
We will raise £20m for Great Ormond Street Hospital Children's Charity	**£20m** raised over our ten-year partnership
We will strive to be a leader in our sector for delicious, appealing and healthier children's food	We continue to be a signatory of Peas Please and have been externally recognised for our children's menus
Public Health England 20% sugar reduction	This year we have reduced the sugar in our Beefeater and Brewers Fayre puddings by 6% and 11% respectively against a baseline of 2015 as part of the Office for Health Improvement and Disparities sugar reduction programme.

Looking after our guests

We have a long-standing commitment to supporting the Government in its endeavours to tackle obesity in the UK. Since 2012, we have made a positive contribution by working in partnership with Government, suppliers and industry partners on nutrient reduction programmes and regularly develop our menus. We have been recognised by the Soil Association's Out to Lunch survey as well as being invited by Government to be a founding member of the Out of Home Food and Drink Alliance.

We regularly review children's dishes to ensure that salt, added sugar, saturated fat and total fat levels are kept to a minimum while ensuring that we still maintain taste and appeal to children. We support the five-a-day message in offering fruit and vegetables in starters, main courses and desserts.

Brewers Fayre and Beefeater have been externally recognised by the Soil Association in their Out to Lunch surveys over the last five years, coming in the top ten of restaurant chains to offer family-friendly, nutritious and sustainable children's menus. Brewers Fayre continues to be a signatory on the Peas Please Pledge, offering two portions of vegetables with every child's main meal. We will be reporting back on our progress to The Food Foundation in summer 2022.

This year we have reduced the sugar in our Beefeater and Brewers Fayre puddings by 5.8% and 11% respectively against a 2015 baseline as part of the Office for Health Improvement and Disparities (OHID) target to reduce sugar by 20%. In 2019 we had exceeded this target with a 31.2% and 33.9% reduction, but we changed this to per 100g to align with OHID reporting requirement. We remain committed to reducing sugar in our dishes and will work towards targets set by the next stage of the OHID's sugar reduction programme.

We want our guests to be able to make informed choices about the food and drink they order. So, in addition to calorie labelling being available on our websites and in restaurants, we will ensure that calorie labelling for all our dishes is available at all customer points of choice including delivery platforms and apps in line with Government guidance.

We understand the importance of industry collaboration to drive forward the health and nutrition agenda and Whitbread are members of the British Nutrition Foundation, the Institute of Grocery Distribution as well as their Industry Nutrition Strategy Group.

This year our Chefs have been working hard to ensure that our guests always have a range of vegetarian and vegan choices on our breakfast, lunch and dinner menus. We added over a dozen new options this year, bringing our total number of vegetarian and vegan dishes to over 80. We know this is a fast-growing segment and were pleased to launch our first Meat-Free campaign in January 2022, for Veganuary, signposting to our guests our extensive meat-free and plant-based offering across all our brands and platforms. For some brands and dayparts, we saw a 10% increase in meat-free dishes sold in this period.

10% of all our dishes are already meat free across all our restaurant brands. We will continue to create delicious dishes that meet the changing needs of the UK population, catering for all dietary and lifestyle needs and being conscious of religious beliefs.

Our Partnership with Great Ormond Street Hospital Children's Charity

COMMUNITY

£20 MILLION RAISED

FORCE FOR GOOD

Our partnership with Great Ormond Street Hospital Children's Charity has been a long-standing and very successful one. Despite the challenges of COVID-19, this year we have continued to raise money in many different ways, for example, through raffles, races, and Santa sprints. We are thrilled to have reached a total of £20 million since we started our partnership in 2012.

In July 2021 the doors of the Sight and Sound Centre, supported by Premier Inn, opened for the first time. This is the UK's first dedicated medical facility for children with sight and hearing loss, and will aid over 8,000 children a year. The new facility is specially designed for the unique sensory needs of children with sight and hearing loss and replaces the outdated facilities in one of the hospital's oldest buildings. We set out to raise £10 million for this centre and have only been able to achieve this target through the tireless and creative fundraising of team members and supply chain partners, and the generosity of guest contributions.

This year we also piloted an innovative partnership with DripDrop to provide an automated umbrella rental service at 30 hotels. Not only does it provide guests with an escape from the weather but all profits generated are donated to the Great Ormond Street Hospital Children's Charity.

At the end of 2021 we undertook a review of our charity partnership, reaching out to our teams to ask them who they wanted to fundraise for. After a thorough pitch process from a range of charities, we were thrilled that Great Ormond Street Hospital Children's Charity came out top and we have committed to continue our partnership with them.

COMMUNITY

SUPPORTING OUR NEW CHARITY PARTNER IN GERMANY

FORCE FOR GOOD

In October 2021 we started working with CHILDREN, a German charity organisation fighting child poverty in Germany. CHILDREN supports an operational network of 70 sites all over the country. The local sites are partly financed by local authorities and the contribution received from CHILDREN enables the creation of additional programmes and further support.

The programmes focus on developing new skills and practical experiences to unlock the potential of the participating children and teenagers. The organisation also funds a nutrition programme where children receive a daily healthy meal at their local site.

Since the partnership began, the teams have raised €25,000. This has been raised through a combination of employee donations and the Housekeeping Initiative; if a guest chooses to forgo their daily visit from Housekeeping, an automatic donation goes to the charity. The Housekeeping Initiative is an important programme for Premier Inn Germany, and we envision an increased fundraising capability in the upcoming year as the programme matures.

Supporting local communities

We continue to work in, and support, the communities where we open new sites. This includes donating volunteer hours to support local charities and community projects with each new site opening. Due to COVID-19 restrictions, we didn't engage fully with community events until the final quarter of this year; during this quarter we opened five sites and donated 200 hours to community engagement projects. These included food collections for local food banks and supporting local gardening and sustainability groups. We have also started recording the number of jobs that we create with each new opening and are proud to report that we have created 784 new jobs directly through new site openings.

RESPONSIBILITY

Always operating in a way that respects people and the planet.

RESPONSIBILITY

TARGET	PROGRESS AGAINST TARGETS IN 2021/22
Whitbread's critical commodities 100% accredited against robust standards	**100%** of whole shell egg and 52.6% of our ingredient eggs have cage free status **100%** of our whole fish is certified to internationally accredited sustainability standards, e.g. MSC, BAP and Global GAP **100%** of our beef range in the UK is produced to a recognised farm assurance scheme in its country of origin such as Red Tractor. We are now RSPO supply chain certified
100% of our suppliers risk assessed against Force for Good criteria	**100%** of suppliers risk assessed
We will eliminate unnecessary* single use plastic by 2025	In progress – this has been another challenging year for this target with the impact of COVID-19 but we will renew our focus on this in the coming year.
We will cut food waste by 50% by 2030	**32.3%** reduction from our baseline year
We will become Net Zero† for carbon emissions by 2040	**50.1%** Scope 1 and 2 intensity reduction from the 2016/17 baseline year
We will minimise water use across our business and champion water stewardship within high-risk areas	**62,000m³** of water saved through internal water auditing and supply pipe leak detection – the equivalent of 25 Olympic swimming pools.
We will not send any waste to landfill	**99.9%** of our operational waste diverted from landfill

* Whitbread defines unnecessary single-use plastic as that which is unnecessary for food safety purposes, which is used instantaneously as a one-off application and whose removal would not lead to unintended negative environmental consequences, such as increased waste or CO_2 emissions.

† Scope 1 and 2 emissions.

Our ambition to reach Net Zero

In the run up to COP26 we signed up to the Race to Zero pledge and pulled our Net Zero target for Scope 1 and 2 forward from 2050 to 2040, which is aligned to a 1.5 degrees pathway. We have also committed under the Science Based Targets initiative (SBTi). We set new targets for our Scope 3 emissions and will be working with our suppliers to reduce emissions by 50% by 2035 and 64% by 2050. Our focus for Scope 3 in the coming financial year will be to develop detailed plans to reduce Scope 3 emissions, review data management systems and continue our engagement with suppliers.

This year we reduced our emissions by 50.1% from our 2016/17 baseline year. As per the previous year, this reduction is impacted by our sites being shut at some points in the year due to COVID-19 related restrictions, but we are continuing to reduce our emissions through energy saving strategies and employing new technologies. For example, this year we worked with Endo Enterprise to add an energy saving additive to 502 boilers across 400 of our restaurant sites. The additives increase the surface area of heat transfer, making the system more efficient; year-on-year savings on some sites have already shown up to 10% reduction on gas use over winter.

We have also continued the replacement of grills to more energy efficient versions, this year installing 150 new grills across 103 sites, bringing the total of new grills to 520 since we started this project in 2018. This project has seen an overall 50% gas reduction in our chargrills.

RESPONSIBILITY

GREEN BOND

Following the issuance of £550 million in Green Bonds in 2021, we have been managing and monitoring the use of proceeds against the projects outlined in our Green Bond Framework. This includes spend against our sustainable procurement, such as MSC fish and FSC timber, our green building projects (all construction done to BREEAM excellent or above) and our renewable energy costs. To date we have allocated over £404 million of the total amount. This spend has been allocated to projects looking back 36 months as well as financing projects in 2021/22. The use of these proceeds has led to 45 sites being constructed to high environmental standards, 311,000 Tn Co2 emissions avoided and 100% of consumables and fish allocated against it were procured to certified sustainable standard. You can read the full report on www.whitbread.com/governance/reports-policies

RESPONSIBILITY

FARESHARE

This year we have reduced food waste by 32% against our baseline year through continued efficiencies and donating food that would otherwise go to waste. We do this through partners such as FareShare who collect our food and distribute it to local charities. This year we donated over 622,000 meals to some of the people most in need as many households continue to be impacted by COVID-19 and the cost-of-living crisis. Food from Whitbread went to over 2,152 charities from around the country, from Youth Hubs in Scotland to community food kitchens run by social housing estate residents in Wales. Emma Brown, Commercial Manager at FareShare, says: "We receive a range of good quality food from Whitbread, including meat and dairy, which enables the charities and community groups we work with to provide nutritious food to people most at need."

Managing a sustainable supply chain

In 2020, we became the first UK budget hotel chain to become members of Better Cotton (formally 'The Better Cotton Initiative') and have spent the last year working with our suppliers to increase the amount of cotton we source sustainably, for our hotel linen plus Guest Buys the Bed (Sartex). In collaboration with our laundry suppliers and Better Cotton we have begun to develop new ways of working to deliver sustainable cotton for rented linen, which the hospitality industry relies on. In 2021, with one of our hotel laundry suppliers alone, we achieved 76% of the cotton in replenished hotel laundry sourced as more sustainable cotton, through Better Cotton, an ISEAL accredited standard system. For our Guest Buys the Bed sales, 15% of the cotton in 2021, was sourced as more sustainable cotton, through Better Cotton. These figures relate to the 2021 calendar year.

This year we became RSPO supply chain certified. This means we now have certified processes and systems to maintain the chain of custody of certified palm oil in our organisation. We are the first hotel brand to have this certification and will now start working to ensure that 100% of the palm oil that comes into the business is certified. This is in addition to the fish, eggs, and beef that we continue to have audited to ensure responsible practices by our suppliers.

We are determined to eradicate any human rights issues in our supply chain, and we continue to work with experts in modern slavery such as Stop The Traffik to help us risk assess suppliers and provide expertise on industry engagement. We were pleased to be the winner in the Best Initiative to Deliver Social Value through Procurement awards from Chartered Institute of Procurement & Supply at its Excellence in Procurement Awards. This recognised a construction-sector engagement programme that we ran. It aimed to identify root cause issues of modern slavery in the construction industry in order to create a wider opportunity to mitigate this risk. You can read our full Modern Slavery Act Statement at www.whitbread.com/governance/reports-policies.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Preparing our business for climate change

We know that climate change is already happening, and that businesses must be prepared for the changes this will bring, from increased precipitation and higher temperatures affecting UK operations, to energy price rises, potential commodity shortages and supply chain disruption. Understanding these risks is key to ensuring that the business remains in a strong position to navigate this more uncertain future.

Last year we set out our commitment to build on the work already being done against the recommendations of the TCFD. This year we are proud to have published our first full report under those recommendations.

The full TCFD report outlines the process we undertook to identify the principal climate-related issues which have affected and will potentially affect our businesses, strategy, and financial planning. This included detailed assessment of activity and climate-related risk and opportunity in the following areas:

- Products and services
- Supply chain
- Adaptation and mitigation activities
- Operations
- Acquisitions or divestments
- Access to capital

This process identified a number of risks and opportunities that were categorised by the following three risk types:

Transition risk

- Policy, regulatory and legal changes
- Technology shifts
- Changing market demand

Physical risk

- Acute: event driven, e.g. extreme weather, flood risks
- Chronic: longer term shifts in climate patterns, e.g. sustained higher temperatures

Connected risk

- Second order risks arising from transition or physical risk impacts, e.g. recessionary pressures

We then undertook climate scenario analysis aligned to the Network for Greening the Financial System (NGFS), a consortium of central banks that have developed climate scenario analysis tools. We analysed our key risks using three NGFS reference scenarios, analysing risks across the Orderly Transition, Disorderly Transition and Hot House World scenarios, with existing and planned mitigating activity reviewed:

Network for Greening the Financial System	Approx. temperature increase	Summary
Orderly Transition	1.5-2°C	Decisive global policy action is taken to limit global warming from early 2020s.
Disorderly Transition	1.5-3°C	Policy measures are delayed until late 2020s/early 2030s, meaning increased costs, e.g. higher carbon prices.
Hot House World	3-5°C+	No new policies are introduced, leading to increasing physical impacts.

Working with key stakeholders across the organisation, we identified a number of key risks and opportunities related to climate change over a short-, medium- and long-term horizon. These are outlined in the following table. Each risk and opportunity was assessed and analysed against three climate scenarios, and existing and planned mitigating activities were reviewed. Modelling was undertaken, where feasible, with the aim of understanding the quantification of each of the risks and our opportunities in our business.

This process demonstrated no material concern in the short (0-2 years) or medium (2-5 years) term. In part, this is due to the strong mitigating activity already in place to manage our risks, and the further alleviation provided when the relating opportunities were taken into consideration.

Our aim is to develop this disclosure year on year as we build on the granularity of our data and processes in line with the TCFD and continue to make sure that we are aware of, and prepared for, the impacts of climate change.

You can see a list of the key risks and opportunities on the next page and can read the full report at www.whitbread.com/governance/reports-policies.

RISK DESCRIPTION
Physical risks
Operations: Increase in energy costs. For example, from heating and cooling due to changing and extreme temperatures.
Operations: Risk of increased cost of water/reduced availability due to climate induced water scarcity.
Supply chain: Challenges with sourcing goods and services potentially leading to increase in costs or reduced ability to operate at high standards. This is particularly true for agricultural items sourced from high-risk areas or if crops/ingredients are particularly susceptible to temperature variations and extremes. Climate change has potential to reduce crop yields. Potential for climate change to negatively affect livestock leading to scarcity or increased prices (due to increased prevalence of disease due to climate change, and requirements to stop using land for livestock feed leading to increased prices). Similarly higher welfare standards may lead to increased prices.
Buildings: Risk of increased building/equipment costs due to higher specification requirements. For example, increased cost/complexity/timeframes involved in the planning process such as BREEAM requirement for Excellent, zero emissions at point of use legislation for new space being introduced (for example: no gas, no F-gas), and biodiversity requirements.
Buildings: Physical damage to owned buildings due to increased frequency and intensity of extreme weather (e.g. storms, flooding) leading to damage to buildings, increased maintenance costs, delays in repairs and in the worst-case scenario leading to inability to operate business, e.g. closure after a flood, or frozen pipes bursting leading to water supply disruption.
Supply chain: Logistics problems for goods/manufacturing materials in supply chain which are unavailable or delayed as a result of climate impacts leading to increase in costs or reduced ability to operate at high standards.
Transition risks
Policy: New and emerging climate legislation which increases costs around energy, waste reduction and packaging, including greater requirement for recycling.
Policy: Risk that hotels are required to invest more in low-carbon technologies. For example, new boilers, targets for efficient buildings, new cooking systems, remove F-gas when doing a refurbishment, resilience measures etc.
Market: Less consumer business travel due to increased use of videoconferencing and desire by businesses to reduce carbon emissions associated with travel.
Market: Severe weather impacting guest visits/stays leading to cancellations.
Reputation: Risk brand is not aligned with increased awareness of climate impacts. For example, our Beefeater brand's core product is associated with steak, with its high carbon emissions.
Reputation: Risk our brands fail to align with changing trends. For example, vegetarian/vegan food preferences, preference for locally sourced food, sustainable management.
Connected risk
Market: Recessionary impacts arising from the impact of climate change.

OPPORTUNITY DESCRIPTION
Increase in non-business customers who are choosing to holiday locally, either because of climate concerns or because of increased costs associated with overseas travel.
Ability to capitalise on trend towards veganism/vegetarianism by further expanding menu options to cater to this growing segment of the market.
Attract more customers who are focused on climate change – align brand proposition to climate friendly offering to maintain and grow market share, e.g. 'net negative carbon rooms', 'net negative carbon beds', eco-friendly hotels etc. Travel management companies and corporates are increasingly asking about climate change programmes including to support their own Scope 3 targets.
Cost reduction by investing in low-carbon technologies and energy efficiency/implementing energy saving measures.
Attract and retain staff by being seen as a sustainability leader.
Opportunity to utilise enhanced position within the market due to quality and sustainability position to mitigate against higher operating costs.
Opportunity to use scale to drive suppliers to sustainability at scale.
Addition of Electric Vehicle charging points in car parks to attract more customers and increase on-site renewable energy generation capacity, both of which have potential to generate additional revenue.
Opportunity to source local food and other input materials, which may have a positive marketing benefit and be viewed favourably by customers.

Our Compliance Statement

Whitbread PLC has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

Whitbread's full climate-related financial disclosure is set out in a separate document entitled 'Task Force on Climate-Related Financial Disclosures – Whitbread PLC' which can be found on our website. It has been published as a separate document in order to provide its own context, impact and reporting specific to the key risks and opportunities that have been identified within it.

A description of the key recommended disclosures, how we have responded to and approached them, and where this can be found in the report is on page 115.

You can read the full report at on www.whitbread.com/governance/reports-policies.

SECTION 172 STATEMENT

Maintaining and developing positive relations with all the stakeholders who may be impacted by the decisions we make is a critical factor in ensuring long-term sustainable success for our business. Stakeholder engagement is central to the formulation and delivery of our strategy. As the strategy for the Group is developed, the views and interests of various stakeholders are factored in to the strategic options, including the views of customers, employees, shareholders and suppliers. Equally, the impact of Group strategy on the communities in which we operate, and on the environment, is considered. That way, the strategy of the Group is developed directly with those interests in mind.

Equally, the interests of all relevant stakeholders are carefully considered by the Board and the Executive Committee as and when specific decisions are made throughout the year. In its decision making, the Board considers what is most likely to promote the success of the Company for its stakeholders in the long-term.

Our directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company.

Some examples of how the Board considers these groups during Board meetings and discussions include the following:

- As part of the monthly Key Performance Indicators (KPI) pack, the Board considers data relating to customer feedback and team retention, as well as data on shareholders.
- The Chief Financial Officer's report gives details on recent interactions with shareholders, lenders/bondholders and Pension Trustees discussions, and qualitative feedback on specific concerns.
- The Chief People Officer's report provides details of all relevant employee-related matters, including feedback from the 'Our Voice' forums.
- The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste. It also includes best practice guidance on section 172 compliance.
- The Chief Executive's report gives details of any relevant interaction with Government or regulators, and key issues with suppliers and landlords.
- Board debate on possible mergers and acquisitions include wider impact assessments, considering issues such as integration with the current business, management capabilities, the impact on team members, and the ability of our supply chain to react with the plan.

The Board also takes into consideration the long-term consequences for both the Company and its stakeholders when making these decisions, making sure the Company conducts its business in a fair way, protecting its reputation and external relationships.

This section provides some examples of decisions taken by the Board this year, and how stakeholder views and interests, as well as other section 172 considerations, have been taken into account in its decision making.

Read more about our stakeholder engagement on pages 51 to 54.

Consideration of stakeholders in decision-making process

The Board receives detailed agenda papers a week ahead of every meeting, giving directors sufficient time to perform their duties in line with section 172

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Whitbread organises various training programmes for directors to keep them up to date on all aspects of the business

↓

The Board receives feedback from employees, customers, investors and other stakeholders so it is abreast with the pulse of the business

↓

Board information

The Board relies on the diverse experience of the Board members

All decisions are aligned to the values and culture of the organisation and keep in mind all stakeholders

↓

External advisers

The Board and its committees meet eight times a year and additional meetings are held on an ad hoc basis as required

↓

Board decision

All decisions and actions are reviewed to ensure the intended outcomes are achieved

STAKEHOLDER ENGAGEMENT

Employees

Our greatest assets are our people. A talented, engaged, motivated and diverse workforce is critical in the delivery of our strategy.

What matters to employees

- A healthy and safe working environment
- Industry-leading training and development programmes
- Market-leading reward and retention structures
- A business that considers team member wellbeing (physical, mental and financial)
- An inclusive culture that values difference, allowing everyone to be themselves at work
- Career development opportunities
- Open, honest and transparent management processes

How the Board engaged

- The Board delegates overall reward and remuneration structures to the Remuneration Committee. The Committee considers the wider workforce pay alongside executive remuneration. Annual pay rises for executives are reviewed in the context of the treatment of the wider workforce.
- The Board receives monthly data in the monthly KPI pack regarding team retention, and the monthly data is considered carefully.
- The Chief Executive in her report specifically mentions team retention and reward strategies, and makes proposals for approval.
- Over the year, the Board has approved specific retention packages for key team members, e.g. kitchen teams and housekeeping teams, and has approved increases in hourly pay over and above the National Living Wage for hourly paid team members.
- 'Our Voice', a body made up of elected representatives across the business, represent the views of employee constituencies to senior management. The Board receives reports of these meetings.
- The Board has set eight specific Diversity and Inclusion targets to ensure that the business is properly representative of the communities in which we operate. Good progress has been made in relation to these targets. Read more on page 40.
- Diversity and Inclusion is considered as part of all Board appointments. This is guided by the Board Diversity Policy, which was introduced in 2021. In addition, Whitbread was recognised with a Gold Award for Excellence in the Stonewall Workplace Equality Index 2022 and has won the Top Employers Institute Award for 12 consecutive years.
- The Board considers succession plans for key team members across the business.
- The Board receives reports on health and safety management bi-annually; statistics are included in the KPI pack, and any incidents are reported straight away to the Board.

Outcomes of engagement

- Diversity and Inclusion achievements, see page 40 to 41
- Pay and reward levels above National Living Wage, see page 34
- Board appointments
- Improved health and safety scores. Of the 2,586 COVID-Secure audits completed there was a failure of just 0.15%.
- Significantly enhanced engagement on the subject of mental health and staff wellbeing, particularly through the pandemic

Customers

Customers are at the centre of our business and Board decisions are driven by providing our guests with an exceptional hospitality experience so they keep coming back.

What matters to customers

- A great choice of hotels to stay in and restaurants to eat in across the country, wherever our customers choose to be, at competitive prices
- Brilliant service
- Consistently excellent standards in our hotels and restaurants which are clean, safe and fit for the wishes of our customers
- Healthy menu choices including vegan and fish items on the menu
- Responsibly sourced food, beverage and other products

How the Board engaged

- The Board receives data on customer satisfaction scores each month
- The Board receives a monthly report on commercial, pricing and operational performance each month
- Quarterly, including as part of the strategy day presentations, deep dives are provided into pricing and commercial strategies in the UK and Germany
- The Board approves the refurbishment, and repairs and maintenance programmes, and has insisted on a programme of investment through a cycle in which the business has been challenged, to make sure that the portfolio is in the best condition possible for customers
- The Board considers room innovations periodically, e.g. Premier Plus rooms, twin rooms
- The Board considers marketing campaigns and digital strategies
- Innovations in menu choices have been presented to the Board and the Board ensures that healthy and nutritious choices are provided for all customers
- The Remuneration Committee includes customer measures in the remuneration structures for key team members

Outcomes of engagement

- Improved customer satisfaction scores
- Market outperformance demonstrates the value of the brand proposition and its popularity

Investors

The Investor Relations team holds regular investor meetings centred around our Group strategy and performance, and also around ESG strategy and Force for Good.

What matters to investors

- Clear and well communicated strategy for the Group
- Financial performance, as we have recovered from COVID-19, particularly by reference to the competitor set
- A proactive programme of engagement on key topics
- Leadership and governance
- A leading ESG programme

How the Board engaged

- The Board receives monthly data on changes to the share register and on the programmes which we have of engagement with shareholders and other investors
- The Chairman and General Counsel consulted with a broad range of major shareholders in September, at which topics such as strategy, performance, leadership and ESG were covered
- The Chair of the Remuneration Committee and the General Counsel have consulted on the new remuneration policy. The new policy has been amended in the light of the feedback from shareholders, and will be presented for a shareholder vote at the AGM
- The Chief Executive and the Investor Relations team have held numerous meetings with shareholders, banks, bondholders and the Pension Trustees throughout the year
- A Triennial Valuation has been completed this year for the pension fund, and payment schedules into the fund discussed and approved by the Board
- The Board receives a presentation at least once each year from the brokers on the current views of investors and on issues which need to be addressed
- The Board considers very carefully the Company share price, and whether the Company is fairly valued, as well as the matters which could be addressed to generate incremental value. For example, accelerating the growth of the German business, the value of the property portfolio, and M&A transactions

Outcomes of engagement

- Changes to remuneration policy
- Enhancements in ESG programme, e.g. bringing forward our Net Zero target by ten years

Suppliers

The Board values its relationships with suppliers and fosters these carefully to ensure the long-term sustainable success of the Company.

What matters to suppliers

- Support through the pandemic
- Payment on time and in full
- Good communication: strong and consistent levels of demand, and transparent feedback on performance
- Tackling modern slavery
- A plan to reduce carbon through the supply chain

How the Board engaged

- Given the supply chain issues and increased costs as we have emerged from COVID-19, the Board has received regular updates on issues such as shortages of supply, the impact on the business and on other stakeholders, and cost inflation, and strategies to tackle each
- The Board has received deep dives into certain suppliers, for example technology partners
- The Board approves a Modern Slavery Act Statement each year
- The Board approves material contracts with suppliers each year if they are of significant size and importance. This year, the Board has reviewed and approved contracts with Oracle, Fujitsu, laundry providers and energy suppliers
- The Board has received presentations on sustainability, which includes the responsible sourcing of critical commodities, Scope 3 carbon emissions, the reduction of single-use plastics, and the reduction of food waste
- This year, the Board has approved the delivery of over 500,000 meals to FareShare, a charity which delivers food which would otherwise be wasted, to foodbanks

Outcomes of engagement

- Increased levels of engagement with the supply chain to ensure continuity of supply
- Training and development for certain suppliers regarding modern slavery and ethical sourcing
- Payment terms having been maintained and, in some cases, enhanced through COVID-19

Communities and the Environment

Whitbread is committed to doing right by the communities we operate in and the environment. This is embedded in our Force for Good programme spearheaded by Chris Vaughan, Company Secretary, and brought to life in our ambitious sustainability targets.

What matters to communities and the environment

- An industry-leading health and safety programme
- We touch a significant number of communities across the whole country, and we aim to make a meaningful difference to the communities where we operate
- The raising of substantial funds for our chosen charities, national and local
- An environmental programme which is industry leading, including a Scope 1 and 2 Net Zero carbon target by 2040, Scope 3 carbon targets in line with 1.5 degrees of global warming, and targets to eliminate single-use plastics and reduce food waste
- Tackling modern slavery
- Leadership and governance

How the Board engaged

- The Board has received presentations regarding our sustainability programme, Force for Good, and has challenged the targets which were proposed
- The Board receives monthly updates on key developments in the Force for Good programme
- The Board has received information on the amount of fundraising, with our chosen charity partner, Great Ormond Street Hospital Children's Charity

Outcomes of engagement

- Nearly £20m has now been raised for GOSH Charity
- Carbon emissions have reduced by 50.1% since our base year of 2017

Lenders

The Board has identified our key lenders as our syndicate of banks that participate within our revolving credit facility, and our bondholders, who hold our 2015 and 2021 issued bonds.

What matters to lenders

- Our current performance and financing strategy
- The nature and quantum of debt and level of liquidity of the Company
- Our ability to service the debt interest payments and repayment at maturity
- Our credit rating and commitment to investment grade metrics
- Our covenants and compliance certification
- The Green Bond Framework

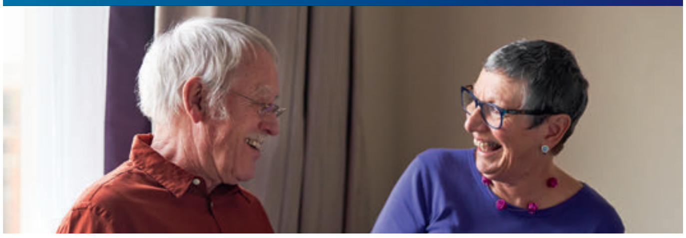
How the Board engaged

- Once a year the Chief Executive and Chief Financial Officer meet the key lenders within the revolving credit facility to discuss the annual results and business performance.
- The Group holds a fixed income call with our bondholders after the annual results presentation.
- Our Group Financial Controller is in regular contact with our banks' relationship teams, discussing operational and strategic financing requirements, and our Treasury team engages to manage the Group's operational requirements.
- We continue to monitor and discuss with the banks their strategy and ability to lend to the Group in the future and any changes that may impact this.

Outcomes of engagement

- Debt capital structure that is optimum for the Group
- A base of lenders that can support the Group's financing and operational needs
- Robust relationships with lenders that are continually monitored, and facilitate refinancing and access to sources of finance when needed
- The support and access to product offerings that the lenders provide

Pension Trustee



Whitbread is committed to maintaining its positive and constructive relationship with the pension scheme Trustee and to ensuring security of members' benefits in the pension scheme.

What matters to the Pension Trustee

- Pension scheme funding and investment strategy that ensures the long-term security of members' defined benefits
- Value for money defined contribution arrangements and engaging communications that support members in saving for retirement

How the Board engaged

- The Chief Financial Officer attends a Trustee meeting annually to present, and answer questions on, the Company's annual results and its ability to meet its obligations to the pension scheme.
- The Chief Financial Officer regularly interacts with the Chair of the Trustee.
- A Company representative attends the Trustee's Benefit Sub-Committee and the Funding & Investment Sub-Committee meetings. Attendance at the latter enables an understanding of any investment changes that are planned and can provide a Company view where appropriate.
- The Board receives presentations in relation to pension issues, including regarding the funding position, triennial valuation and investment performance.
- During the year, the 31 March 2020 funding valuation was completed and, as part of the valuation discussion, it was agreed to make changes to the security package that supports the pension scheme. This involved the removal of an EBITDA-related covenant and an increase to the property security that the Trustee holds.

Outcomes of engagement

- Strong and open relationship with the pension scheme Trustee
- Well-funded pension scheme and security of defined benefits

NON-FINANCIAL INFORMATION STATEMENT

As the UK's largest hotel company, we have a responsibility to focus and lead on our most important people, social and environmental issues, which is why one of our Force for Good commitments is to ensure we always do business in the right way. We aim to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and the information it refers to, is intended to help stakeholders understand our position on these key non-financial matters. Our due diligence process is that each policy and standard is reviewed annually by the responsible party and updated accordingly to ensure it reflects up to date and accurate information. Further information on the various policies mentioned below and throughout the report can be found on our website at www.whitbread.co.uk/governance/reports-policies

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	SEE FOR ADDITIONAL INFORMATION
Anti-corruption and anti-bribery	› Anti-Bribery Policy › Code of Conduct	› Corporate Governance, pages 74 and 75
Employees	› Gender Pay Gap Report › Health and Safety Policy – Statement of Intent › Speaking Out Policy	› Nomination Committee Report on page 85 › Force for Good, pages 36 to 49, and sections highlighted with Force for Good logos › Section 172 statement on page 50 › Anti-corruption and anti-bribery on page 74
Corporate Social Responsibility	**Sustainability reporting** › 2020/21 Environmental, Social & Governance Report › TCFD reporting › SASB reporting › CDP reporting **Environmental policies** › Premier Inn Environment Policy › Restaurants Environment Policy **Responsible Sourcing Policy** › Responsible Sourcing – Soy Policy › Responsible Sourcing – Cotton Policy › Responsible Sourcing – Cocoa Policy › Responsible Sourcing – Sugar Policy › Responsible Sourcing – Meat Policy › Responsible Sourcing – Palm Oil Policy › Responsible Sourcing – Timber Policy › Whitbread Responsible Sourcing – Packing Policy › Whitbread Responsible Sourcing Policy 2020 **Animal Welfare** › Egg Track Report 2020 › Dairy Policy 2020 › Laying Hen Policy 2020 › Lamb Welfare Policy 2020 › Poultry Welfare Policy › Animal Welfare Policy › Beef Welfare Policy › Pig Meat Welfare Policy › Fish Policy	› Force for Good, pages 36 to 49, and sections highlighted with the Force for Good logos, in particular our Force for Good targets › Read the full reports on www.whitbread.com/governance/reports-policies
Human rights	› Human Rights Policy › Disability Awareness › Equal Opportunities › Human Trafficking Positioning Statement › Modern Slavery Statement 2019/2020 › Whitbread PLC Board Diversity Policy 2022	› Force for Good, pages 36 to 49, and sections highlighted with Force for Good logos
Privacy	› Customer Privacy Policy › Data Protection Policy › Employee Privacy Policy	› Corporate governance, page 74
Social matters	› Gender Pay Gap Report › Responsible Sourcing Policy › Diversity and Inclusion statement	› Force for Good, pages 36 to 49, and sections highlighted with Force for Good logos › Diversity and Inclusion targets and commitments, pages 40 and 41
Description of principal risks and impact of business activity		› Principal risks and uncertainties, pages 56 to 60
Description of the business model		› Our business model, pages 22 and 23
Non-financial performance indicators		› Our strategy at a glance, pages 24 and 25
Diversity and inclusion	As part of our Diversity and Inclusion commitments, we are undertaking regular reviews of our policies across Whitbread to ensure they are inclusive, particularly of under-represented groups. For further information, see pages 40 and 41.	

PRINCIPAL RISKS AND **UNCERTAINTIES**

Understanding and responding to risk

In the current environment an effective and robust risk management process is integral to our ability to achieve our strategic priorities. Our success is underpinned by our ability to identify, manage, and mitigate risk within our business.

We understand that risk naturally arises from operational and strategic decisions taken throughout the Group. It is not something that we can avoid but needs to be actively managed and harnessed in pursuit of our business objectives. The Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks we are willing to take.

Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, which completes an annual review of the effectiveness of these processes. Risk is managed proactively by the Executive Committee. Our functional areas complete an annual review of the risks relevant to the achievement of their strategic goals, while managing key operational risks, which are updated regularly.

A robust top-down risk assessment is completed to capture Board and Executive Committee views on the principal risks facing the Group and our related risk appetite. This enables us to keep up to date with changes in our risk profile and adapt as necessary. Actions required to manage these risks are monitored and reviewed on a regular basis.

Risk identification

We place high importance on the continual development and versatility of our risk management process. This ensures that we are able to effectively identify and evaluate risks which may affect our ability to achieve our objectives and strategy, and then introduce mitigations to reduce these to an acceptable level.

Risks identified are often highly interdependent, meaning changes to one risk can affect multiple existing risks or result in new risks being created. Our Risk Working Group allows us to effectively monitor these interdependencies and identify associated new risks by taking feeds from across the business, evaluating findings, and reporting these directly to the Executive and Audit Committees. All principal risks are assigned to a member of the Executive Committee and this, combined with our robust three lines of defence model, helps to reinforce a tone of accountability throughout the business. Internal audit creates a risk-based work plan aligned to the principal risk register to provide assurance over our highest risk activities.

Risk appetite

Risk appetite is defined as the level of risk we are willing to accept in pursuit of our strategic priorities. The level of risk acceptable for principal and emerging risks is assessed on an annual basis by the Executive Committee and Board members, who define their risk appetite against key indicators and measures whilst assessing our ability to reduce risk through mitigation. This ensures alignment between our view of acceptable risk exposure and the strategic priorities of the Group.

The Executive Committee communicates its appetite for risk, which is then embedded within our ways of working, meaning that risk appetite is considered both in the management of existing risks and when making strategic or operational decisions over new opportunities for the Group.

Emerging risks

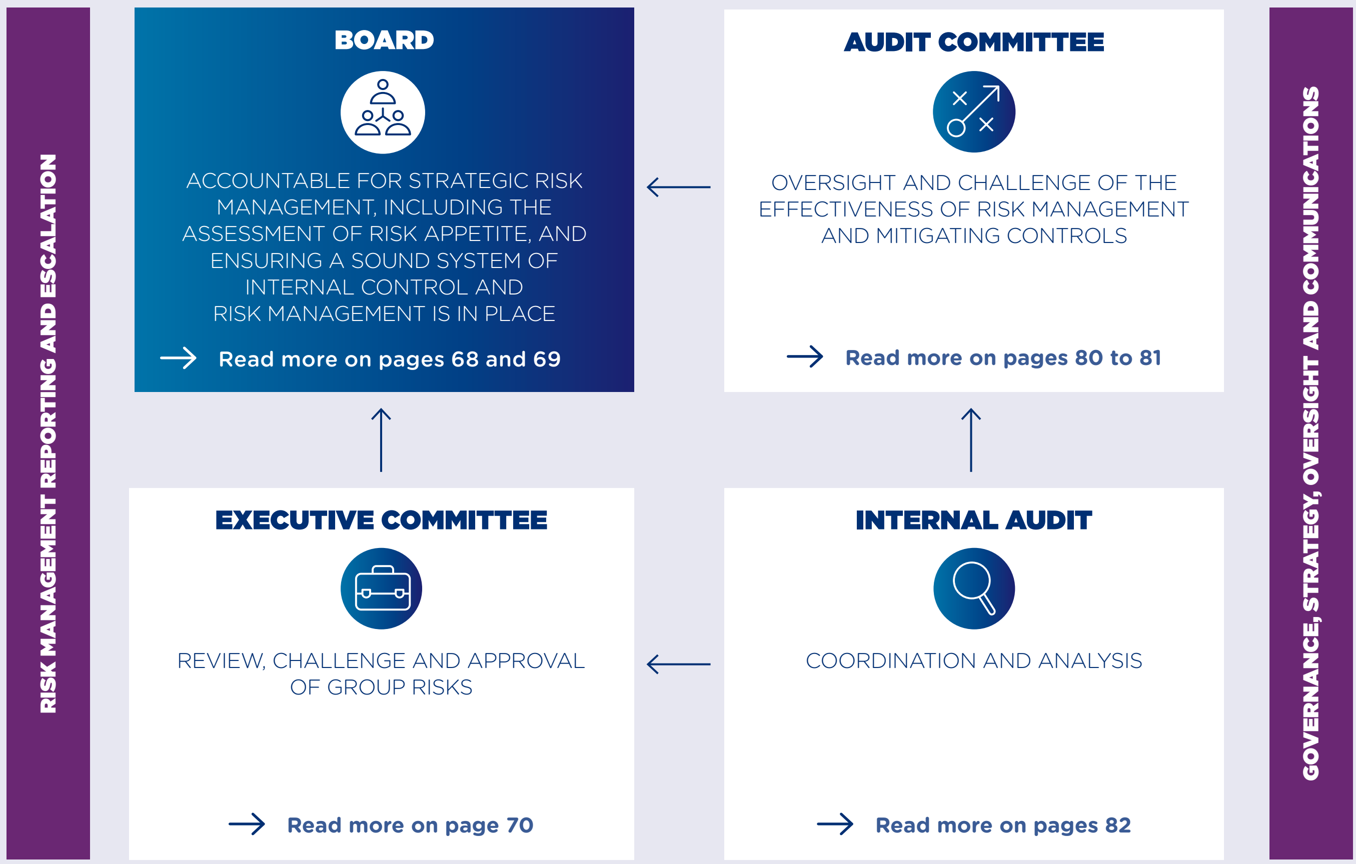
Emerging risks are those which, while not immediate, have the potential to materialise over a longer period of time, causing a significant impact on our business, but at this present time are not clearly or fully understood in terms of their nature or value.

Emerging risks may be new risks not previously identified, or changes to existing risks that are currently difficult to quantify. In order to identify emerging risks at the earliest opportunity, risk themes and trends from industry and professional bodies, and peer networks, are collated and monitored within the functional areas and also reviewed regularly by the Executive Committee and managed through the risk management framework as appropriate.

With the world now largely adjusted to the disruption caused by the pandemic, the extent to which existing global and economic climate risks have been exacerbated by the fractured international response to the pandemic is becoming clear. As our business returns to normal operating capacity, there is opportunity for previously unforeseen risks to emerge, meaning that it is too early to move away from the heightened risk state adopted during the pandemic.

One such emerging risk is continued geopolitical conflicts, in particular the ongoing Russian invasion of Ukraine. These conflicts have the potential to both create new previously unforeseen risks, and affect existing risk in areas which could have a significant impact on Whitbread, for example the downturn of global economies, widening of sanctions, movement of key resources, consumer sentiment and willingness to travel. Identifying and quantifying the impact of risks associated with such conflicts is difficult, given their continually evolving nature.

Risk management framework



However, as a business we have been, and will continue to, carefully monitor all associated developments.

As an organisation, we are facing increased regulatory and compliance requirements across areas such as corporate governance and controls; external disclosure; and sustainability which may have a substantial impact on anything property related or time bound pressures to meet targets. As new government bodies or pressure groups are formed, the pace or quantum of change is uncertain.

International sourcing and supply chains globally are under stress, as they adapt to demand levels and resourcing issues, with further disruption to UK markets caused by trade regulations. As pressure on supply chains persists, we are reviewing our continuity plans especially around critical suppliers, whilst ensuring consideration of new and changing risk against our ethical and sustainability targets, and control frameworks.

Talent retention and labour supply are a key risk for Whitbread. Whilst we are effectively managing the immediate need to staff the business, the labour market is rapidly changing. Younger generations are driving change in the workforce with new requirements and expectations from careers and their wider network. This presents an exciting challenge and opportunity for Whitbread, where we champion the importance of a diverse and inclusive culture. As expectations change, there is the potential to affect risks associated with attracting and retaining both top talent and customers. As a business, being able to identify these shifts early is imperative to our success.

COVID-19

COVID-19 has continued to cause significant disruption to operations and trading activities throughout the financial year as both the UK and our overseas operations moved in and out of restrictions. Whilst the virus is now more endemic in nature, the unpredictability of new variants and the associated public reaction to each new variant mean the industry continues to be impacted.

We have harnessed the lessons learned in the past two years as we continue to navigate and evaluate the ongoing impact of COVID-19. Through remaining alert and responsive to the pandemic situation, both in the UK and overseas, we are working to identify and mitigate associated risks, such as the structural shifts detailed in the principal risks table overleaf, at the earliest opportunity. It is this ability that allows us to remain a resilient business best placed to achieve our strategic goals.

Current COVID-19 associated risks and mitigations are included within the principal risks table on pages 58 to 60.

PRINCIPAL RISKS

Strategic priorities

1 Innovate and grow in our core UK businesses	Lower
2 Focus on our strengths to grow internationally	Higher
3 Enhance our capability to support long-term growth	Level

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**Pandemic** It is still uncertain how future variants and outbreaks, vaccine efficacy and resulting restrictions will continue to impact the hospitality sector, resulting in a longer-term decline in returns and cash flow, along with increasing tax burden following the end of Government support packages. The extended crisis mode puts additional pressure on organisational resilience, increasing health and safety risks to customers and employees whilst applying significant stress and fatigue to the leadership team.		N/A	› Safeguarding the wellbeing of our guests and team members is our priority, with regular monitoring to ensure compliance with updates to Government guidelines and flexibility of hybrid working where possible. › We continue to perform extensive scenario modelling to assess the impact of the pandemic on our financial facilities, borrowing costs and balance sheet. This, coupled with our agile forward thinking, allows us to make informed decisions which maintain headroom whilst optimising commercial opportunities. › Rigorous capital and cost controls are in place across the business to ensure we can react to the level of demand in the market.
1 2	**Uncertain economic recovery** Uncertainty remains for UK and Germany economic recovery, with the threat of a recession, whilst also recognising the impact from wider macroeconomic trends and current geopolitical conflicts. This is resulting in changeable demand, public and consumer confidence; structural and significant inflation impacting our cost base across wages, utilities, food costs and construction materials with further potential increases in services; leading to an inability to meet customer demand. Overall, causing declining cash flows, significant supply chain disruption, impact on property valuations, increasing quantum and cost of borrowing, and a strain on balance sheet strength.	Increased due to economic uncertainty and disruption caused by COVID-19 and the current geopolitical climate	N/A	› We have implemented a measured UK expansion plan until the economic environment is more certain. This is supplemented with rigorous business planning processes considering many scenarios and appropriate responses. › We have updated our international sourcing strategy to include more focus on our local supplier base and warehousing in Germany to minimise supply chain disruption. › We continue to make good progress with our efficiency programme and maintain rigorous discipline over our capital and cost spend, partly offsetting inflationary and demand led pressures. › Our established control framework allows for close monitoring of discretionary spend, capital, and M&A spend. › We currently have a strong balance sheet with substantial liquidity and a large freehold property base, giving us the option to enter into sale and leaseback agreements if required. › Our People strategy is reviewed regularly to address labour issues and ensure disruption to operations is minimised.
3	**Cyber and data security** Cyber and data security remains a key risk as technology and third-party cloud-based services continue to be subject to the threat of cyber-attacks. A data breach or attack resulting in operational disruption could reduce the effectiveness of our systems. This in turn could result in loss of income, loss of financial, customer or employee data, fines and/or reputational damage.	Increased due to the heightened external threats	Low	› We have a specialist team and robust Information Security Management in place with a wide range of proactive and reactive security controls including up-to-date anti-virus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. › A continuous security improvement programme is in place with regular internal and independent external review of control effectiveness and Information Security maturity. › Several transformation programmes in place reviewing and updating key systems to ensure these are providing the best possible support for our operations. › Our mature risk process and proactive threat modelling and monitoring allow us to identify and address threats at the earliest opportunity. › We have solid compliance foundations across all countries for data protection and effective collaboration between Information Security and Data Protection teams to minimise data risks and ensure compliance with GDPR.

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**Structural shifts** It is still unclear whether the changes in working practices, utilising online meeting technology and the resulting reduction in business and international travel is a permanent or long-term structural shift. In addition, the threat from disruptors could result in a reduction in customer demand and Premier Inn brand strength. The combined impact of these factors presents a risk to market share, returns, cash flow, and property asset valuations, particularly of sites located in metropolitan areas.		N/A	› We perform extensive top-line scenario modelling, fed by regular competitor and market analysis, allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward. › To help offset potential structural shifts, we have a robust commercial and customer plan targeting new customers and distribution partners and continually improving our digital marketing to both leisure and business to business customers. › We are continually optimising the customer proposition around our estate, upgrading rooms and churning suboptimal sites. Our customer and trading committees track customer feedback, satisfaction and brank index allowing a focused approach to improvement. › We are also taking a measured approach to further expansion, beyond our existing pipeline, until the environment is more certain, with our focus shifting to lower-risk market share trading initiatives.
2	**Germany growth** The risk that international expansion in Germany is impacted by the uncertain German economic climate or failure to achieve a flexible operating model, impacting our ability to build the Premier Inn brand, deliver market growth assumptions and level of return in a timeframe that satisfies stakeholder expectations whilst recognising the significant amount of capital now invested. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.		High	› We are able to use the deep level of skills and experience used to build the UK business, coupled with our strong development team in country, which is able to perform detailed and ongoing assessments of the German market and economic fundamentals at both a micro and macro level. › Focus is on developing our strong organic and M&A pipelines and reducing capital costs through better buying power and harnessing efficiencies and synergies with the UK business whilst complying with local country requirements. › A monthly executive meeting reviews the German business in detail, including financial performance, customer feedback, marketing, operations, people, capital and property plans.
1 2 3	**Business change and interdependencies** The risk that we are unable to successfully deliver major transformational programmes particularly under time bound pressures and realise benefits due to the high volume of change. This particularly refers to the replacement of the legacy CRM system in the next two years, our IT network across the estate, other commercial and people technology driven transformation programmes; and Germany expansion whilst embedding new teams and ways of working.	Increased due to criticality, complexities and high volume of changes for this year	High	› To help ensure the successful delivery of change projects, we have enhanced our internal project delivery expertise and capability and put in place a standard assurance management framework. › Regular reporting to the Executive Committee and Board is provided as part of the framework, ensuring an appropriate level of governance is maintained and dependencies are aligned. › We have made significant progress towards delivering our key strategic programmes successfully, including both the replacement of our legacy CRM system and replacement of our IT network. In addition, we have managed agile and efficient implementation of all the operational changes required during the pandemic.
1	**Leadership, succession, and talent retention** The macro labour market's structural changes could potentially impact the hospitality sector more adversely as currently it is not considered an attractive employer. This is compounded by immigration regulations for specific roles such as chefs and housekeeping, along with the transferability of functional expertise, especially in the Technology, Finance and Digital areas, which could lead to a smaller talent pool and low levels of diversity in the senior leadership team resulting in significant cost inflation.	Increased due to tightening labour market and potential difficulties in attracting talent into hospitality in current climate	Medium	› The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement and programmes such as Leading the Whitbread Way. › Team retention is a key component of our WINcard and Annual Incentive Scheme, with long-term incentive schemes in place for senior team members and an ongoing review of high-risk areas such as IT and digital remuneration. › The Nomination Committee reviews long-term succession plans for the Executive Committee and their direct reports, in both the UK and Germany, recognising the importance of both emergency and longer-term succession plans for the successful continuity of the business. › Pay reviews across operations ensure that our employee offering remains current, with the latest pay review resulting in wage increases for our hourly paid employees. › We are working to recruit new resource directly, scaling up employer brand proof points, leveraging social media where appropriate, and ensuring we access all Government schemes to bridge displaced or disadvantaged opportunities within our operations. › We champion inclusivity across the organisation and are looking to improve diversity. We have eight commitments designed to drive greater diversity through our recruitment and talent management, and to promote an even more inclusive environment through continuing education and sponsorship of relevant networks and forums.

Principal Risks continued

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
2, 3	**Third-party arrangements and supply chain rigour** Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including cloud systems, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption. The risk of supplier failure is increased in specific markets due to the consolidated nature reducing options and contingency in place.	Increased due to external economic and geopolitical factors including Brexit and COVID-19	**Medium**	› We continually review our suppliers and business continuity arrangements with focus on continuity plans in place for critical suppliers. › We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable. › Monitoring is performed through our supplier management arrangements, including regular reviews against predetermined key performance indicators, ensuring our supplier base remains optimal. › Our international sourcing strategy focuses on local suppliers to minimise potential delays and administrative burden resultant from trade regulations, whilst our warehouse in Germany gives us the option to route products used for construction and operation of hotels directly into the German market rather than via the UK.
1, 2, 3	**Health and safety** The risk of death or serious injury as a result of Company negligence or a significant failure resulting from food, fire, terrorism or another significant safety failure. This could be due to a failure in safety standards, supply chain provenance, responsible sourcing or poor hygiene standards, or a direct targeted terrorism attack, all of which could lead to adverse publicity, brand damage and sudden or prolonged downturn in demand in key markets and locations.		**Low**	› The safety of our guests and employees is of paramount importance. NSF, an independent specialist, undertakes unannounced health and safety audits on sites, covering food, fire, and general health and safety requirements. › We have robust fire safety policies, procedures and training for our team members. We work closely with independent fire safety consultants, regarding fire safety in our hotels. › We have stringent food safety and sourcing policies with robust traceability and testing requirements in place in respect of meat and other products. We invest considerable resources in employee training along with allergen information which is also made easily accessible both online and at sites. › Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Risk Working Group, the Executive Committee and the Board. › Independent audits over key suppliers in our chain are performed to ensure supplier practices conform with all relevant health and safety requirements. › We invest in ongoing site level training to help identify hostile reconnaissance activities or potential terrorism, and to ensure we have an appropriate response should such events take place. The executive team also holds crisis management exercises to ensure we are prepared for such events.
1, 2, 3	**Environmental, Social and Governance** Uncertainty as to how these collective risks, including climate change, will evolve and the expectations of our wide stakeholder group to deliver on our commitments and embed within the business model wholly, could impact our reputation and performance.	**New risk**	**N/A**	› Our TCFD response helps us to identify and assess key risks, opportunities and impacts of climate change to the business. › Our Force for Good programme covers large aspects of our ESG agenda, with targets around emissions, food waste, and single-use plastics, ensuring our accountability for positive change. › We continue to manage and monitor the use of proceeds against the projects outlined in our Green Bond Framework. The proceeds have been allocated against our green energy, sustainable procurement, and green building projects. › We champion inclusivity and improving diversity across the organisation and have set eight diversity and inclusion targets to ensure our teams feel supported and engaged as part of this process. › Regular ethical supplier audits combined with our responsible sourcing policies and initiatives ensure ethical end to end buying.

VIABILITY STATEMENT

The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them. The business planning process reviewed by the Board, as part of the strategic planning process, is over a three- and four-year timeline, with the Board acknowledging that, despite the improved performance of the business following the easing of restrictions in the year, in the current environment, the certainty of those plans, the potential fluctuations in the global economy, the impact on competitor and customer behaviour in a post COVID-19 world is far from certain. Multiple scenarios were modelled through the process and were reviewed by the Board.

The directors, in making the assessment that three years was appropriate, considered the current financial and operational position of the Group and carried out a robust assessment of the principal risks and uncertainties facing the Group as outlined on pages 58 and 60 of the Annual Report. This included a review of the potential impact of climate change and climate change regulation across the viability statement period.

For the purposes of the viability assessment, the directors considered a severe but plausible scenario in which the UK continues to be impacted by COVID-19 restrictions during 2022/23. In this scenario, the Group has sufficient liquidity to operate within its existing facilities.

Should the impacts of the pandemic on trading conditions result in a severe but plausible case scenario, this viability statement would be dependent on the Group's ability to access additional liquidity. Detailed consideration was given to the financing actions that could be taken, noting the positive outcome of those actions taken during the current year and the potential to raise finance through the Group's freehold properties. The directors believe it is reasonable to expect that the Group would have access to further financing and/or the ability to agree further covenant amendments.

The business's long-term strategy for value creation in the UK and internationally remains unchanged. The combination of compelling structural opportunities and the advantages of our unique operating model should enable the business to outperform in the UK, and take market share and capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, should drive long-term value. Based upon this assessment, the directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Longer-term prospects

The sections Market Review and Our Business Model in the strategic report describe how the Board has positioned the Group to take advantage of the growth opportunities in the markets in which the business operates and how the Company is positioned to create value for shareholders, over the longer term, taking account of the risks described in this section of the Annual Report.

The strategic report on pages 1 to 61 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 27 April 2022.

CORPORATE GOVERNANCE AT A **GLANCE**

This year we are fully compliant with the requirements of the 2018 UK Corporate Governance Code (the 'Code'), except for Provision 38. Further details on this can be found on page 64.

Highlights 2021/22

- Ensured the Company's governance processes continued to operate successfully through the management of the COVID-19 pandemic and the recovery of the business as the restrictions throughout the UK and Germany eased.
- The management of staff shortages, supply chain issues and cost inflation.
- Organising the induction of our two new non-executive directors, Kal Atwal and Fumbi Chima, to the business. Read more on pages 73 and 74
- Enabled shareholders to interact effectively at the Company's hybrid AGM, held during the COVID-19 pandemic.
- Appointed Hemant Patel as Chief Financial Officer and as an executive director. Read more on page 86
- Cementing our commitment to a diverse Board with the approval of our Board Diversity Policy. Read more on page 84
- Conducted a comprehensive externally facilitated Board evaluation. Read more on pages 72 and 73
- Carried out a consultation with shareholders on a revised remuneration policy. Read more on page 100.

Priorities 2022/23

- Continued effective corporate governance while recovering from the impact of the COVID-19 pandemic.
- Oversight of the plan to replace the Company's reservation and customer management systems.
- Support and oversight of the growth of the business in both the UK and Germany.
- Conduct a thorough review of Whitbread's Speaking Out process.
- Review and act on the recommendations from the externally facilitated Board evaluation. Read more on pages 72 to 73
- Achieving full compliance with the 2018 UK Corporate Governance Code by the end of the financial year.

Board attendance

The Board generally holds regular scheduled meetings during the year and on an ad hoc basis as and when required. During the year, 11 Board meetings were held. The attendance at meetings by the directors is set out below.

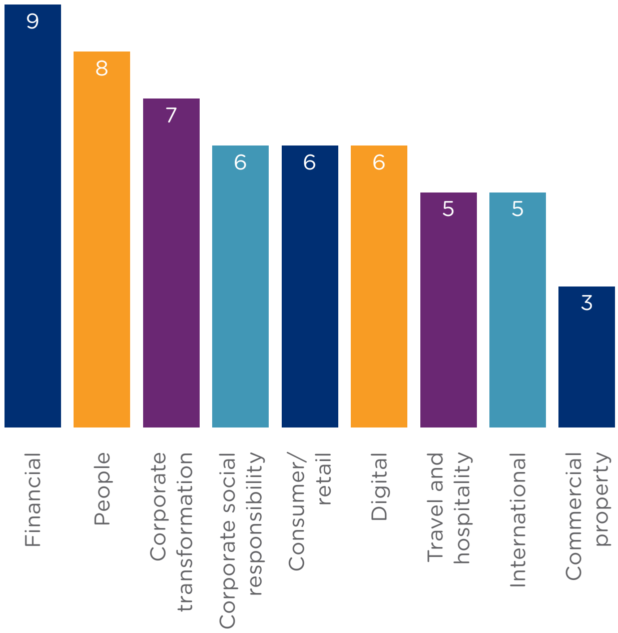
Members of the executive team attended Board and committee meetings as appropriate.

Directors	Meetings attended	%
David Atkins	●●●●●●●●●●●	100
Kal Atwal	●●●●●●●●●●●	100
Horst Baier	●●●●●●●●●●●	100
Alison Brittain	●●●●●●●●●●●	100
Nicholas Cadbury	●●●●●●●●●●●	100
Fumbi Chima	●●●●●●●●●●●	100
Adam Crozier	●●●●●●●●●●●	100
Frank Fiskers	●●●●●●●●●●●	100
Richard Gillingwater	●●●●●●●●●●●	100
Chris Kennedy	●●●●●●●●●●●	100
Louise Smalley[1]	●●●●●○	83.33

1 The one meeting Louise was unable to attend during her time as a Board member was due to a conflict with a previously arranged meeting.

Board experience

The Board comprises directors with a broad range of skills and experience. The chart below provides an overview of the experience around the Board table.



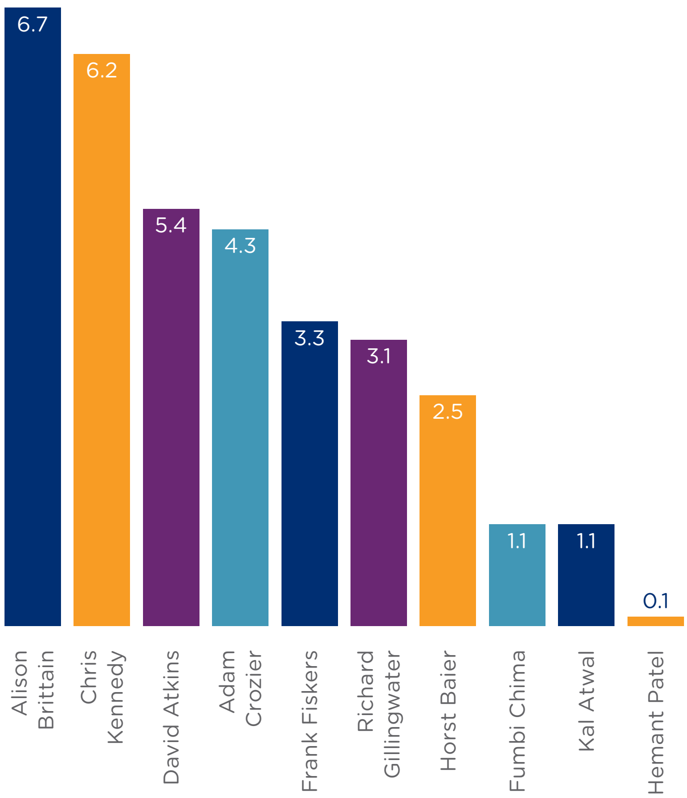
Board focus areas

The charts below demonstrate the proportion of the Board's time spent in each area.

	2021/22	2020/21
Performance and operations	**39%**	29%
Financial performance	**18%**	23%
Corporate governance	**13%**	6%
Strategy and acquisitions	**13%**	13%
People	**12%**	15%
Risk	**5%**	13%

Board tenure

The length of time each of the directors has served on the Board, at the date of this report is shown below.



Gender diversity

The chart below shows the gender split of the Board.

Board gender diversity

Men
7 **70%**
Women
3 **30%**

Ethnic diversity

The chart below shows the ethnic diversity of the Board.

Board ethnic diversity

White
7 **70%**
Asian
2 **20%**
Black
1 **10%**

A STRONG GOVERNANCE **STRUCTURE**

Adam Crozier
Chairman

I am pleased to present the Board's report on the Company's compliance with the UK Corporate Governance Code. This year has been another challenging and busy year for Whitbread as we reopened our business following the relaxation of COVID-19 related restrictions in the UK and Germany, whilst navigating global supply chain issues, cost inflation and tighter labour supply in the hospitality sector. The Board remains committed to, and focused on, a strong corporate governance framework.

Our strong governance framework

The Board's primary objective is to ensure the long-term success of the Group. Key to this objective is the creation and maintenance of a strong governance structure in order to support the long-term success of the business and also to generate lasting value for all our stakeholders. At Whitbread, we are committed to ensuring the Company's actions are in keeping with our culture, values and strategic goals. This is achieved by understanding the critical role that strong corporate governance plays.

In last year's corporate governance report, we provided a full review on our compliance with the UK Corporate Governance Code. We continue to focus our governance on complying with the provisions and applying the principles in the Code. We hope to demonstrate throughout this report the Board's emphasis on the Company's purpose, culture and strategy, as well as our relationships with shareholders and stakeholders.

With the exception of one provision, which is explained in more detail below, I am pleased to report that we have complied with the Code throughout the 2021/22 financial year. In the pages that follow, we have set out how we have complied with the principles set out in the Code.

The one provision that we cannot report full compliance with this year is the provision requiring that pension contribution rates for executive directors should be aligned with those available to the workforce. As explained in last year's report, and again in the directors' remuneration report this year, we are taking steps to achieve compliance. The current remuneration policy, approved in December 2019, committed to a phased reduction of the pension contribution of current executive directors by 10%pts from 25% to 15% over a period of three years. The provision for new executive directors was reduced to 10%, which aligns with the workforce, and the position has been addressed as part of the recent remuneration policy review. The new remuneration policy, which will be put to shareholders at the AGM in June, will achieve the required full alignment. Further information on our executive pensions can be found in the remuneration report on page 106.

Culture and purpose

Whitbread is a hospitality business, focused on ensuring that our customers have a great experience wherever they stay or eat across our business. We use a 'Customer Heartbeat' model to measure and monitor performance in this regard, comprising:

- Winning Teams;
- Profitable Growth;
- Force for Good; and
- Everyday Efficiency.

This aligns with our purpose of providing sustainable long-term value for our shareholders while delivering a quality and value for money experience to our customers. Our values underpin everything we do, and we aim to be genuine, confident and committed in order to reach our goal of becoming the best budget hotel business in the world.

We believe that our culture is special. Whitbread is a people business, and a significant amount of our attention, including that of the Board, is dedicated to making sure we have all the people in place to delver great service to our customers.

The Board usually assesses and monitors the Company's culture by making regular visits to Whitbread's hotels and restaurants and taking the opportunity to meet and speak to team members. Unfortunately, opportunities for this have been limited this year, due to the pandemic, but we were able to organise one of the Board meetings at our hotel at Heathrow Airport and in the last few weeks a number of my colleagues on the Board were able to visit some of our hotels in Germany. The Board very much looks forward to spending more time in the business in the year ahead. One of our scheduled Board meetings is due to take place in Germany, and further visits have been organised for our non-executive directors to sites in the UK and Germany.

The Board receives regular reports at each meeting from the executive team, including the Chief Executive and the Chief People Officer, both of whom are members of the Executive Committee. The Chief People Officer provides input on employee issues, employee satisfaction surveys, which include questions on culture and reports from the Employee Forum. Culture is also discussed as part of the strategy discussions and at the Nomination Committee, for example through recruitment decisions to senior positions, including for the new Chief Financial Officer. The Board has re-committed to the purpose as being fit for the current environment. Regular reports are produced for the Board by functions across the Group to enable the Board to satisfy itself that the purpose is being met.

The Board

The Board is committed to regularly reviewing the skills, experience and knowledge that it has in place as well as those that can be added. It is part of the Nomination Committee's role to regularly review the structure, size and composition of the Board. This helps ensure there is a balance of skills, knowledge, independence and diversity around the table. To assist with this process, we use an objective matrix of skills and competencies to assess the skills, experience and knowledge required at the Board table.

In August 2021, Louise Smalley retired from Whitbread and stepped down from the Board after completing nine years as an executive director. Hemant Patel was appointed as Whitbread's Chief Financial Officer effective from 21 March 2022 and has replaced Nicholas Cadbury on the Board and the Executive Committee. Hemant has been with us since 2018. Before joining Whitbread, Hemant was Finance Director of Greene King Pub Company and held numerous senior finance and commercial roles at Asda and Mars. He is a Chartered Management Accountant and is also a non-executive director and Chair of the Audit & Risk Committee of the Department for Digital, Culture, Media and Sport.

On 1 March 2021 we were pleased to welcome Fumbi Chima and Kal Atwal as new independent non-executive directors, fulfilling the need recognised in last year's Board evaluation for technology and digital experience. Fumbi is skilled in digital transformation strategy in high-growth environments, with a great understanding of overall strategic planning and technology. Kal has a substantial amount of digital and marketing experience; she played a central part in driving strategic growth and scaling the business in previous roles. Fumbi and Kal bring an invaluable mix of skills and will provide a breadth of knowledge to the Board. Both Kal and Fumbi received a tailored induction programme when joining the Company.

Diversity and inclusion

We are proud of our approach to diversity and inclusion at Board level, demonstrated through our new Board Diversity Policy, and three members of the Board identify as Black, Asian or Mixed Ethnicity. We are aware of the gender mix on the Board, following Louise Smalley's departure, with three out of ten members being female at the current time. We have plans to increase this in the upcoming year, ensuring we align to the recommendations in the FTSE Women Leaders Review (formerly Hampton-Alexander).

Board evaluation

It was highlighted in last year's Board evaluation that directors wanted to focus on succession planning and diversifying Board experience. As mentioned above, there was excellent progress in this area this year with the appointment of two new non-executive directors to the Board in March 2021 and an internal promotion to Chief Financial Officer role in March 2022. After an exceptional year, the Board has come back to considering succession planning as a priority.

The Board and its main committees participated in an external evaluation during the current year. The results of the review, carried out by Ffion Hague, were positive overall and the external evaluators remarked that the Board is considered to be an organised, professional and high functioning board. The evaluators carried out detailed meetings with various members of the Board and selected external stakeholders and advisors. As part of the review, they also attended meetings of the Board and its committees to form an independent opinion of the Board's performance. A draft of the report was discussed with me and with the Board at our meeting in April 2022.

Further information on the Board evaluation and areas for focus in the year ahead can be found on pages 72 and 73.

Our stakeholders

We believe that it is important to understand the views of our stakeholders in order to build constructive relationships. In accordance with Provision 5 of the UK Corporate Governance Code, Whitbread has formed a workforce advisory panel, which we call 'Our Voice'. This gives our employees an opportunity to shape strategic plans and major decisions. In addition to this, as Chairman, I hold governance meetings each year with major shareholders to listen to their views and any issues they may have.

During the year, the Board has considered many other stakeholders as well. For example, we have considered on a number of occasions the relationships with third-party technology suppliers, as well as suppliers of energy, food and beverage, and other products. We have discussed our relations with Government and key industry bodies, and we have focused very carefully on our customers, their feedback on our performance and their perceptions of our brand propositions. We have carefully considered team member retention issues, and the recruitment and retention of our staff, together with the levels of pay and reward for all of our team members.

Further information on our stakeholder engagement can be found on pages 51 to 54.

Adam Crozier
Chairman
27 April 2022

THE UK CORPORATE GOVERNANCE CODE 2018

The UK Corporate Governance Code 2018 is the standard against which we measure ourselves. It is issued by the Financial Reporting Council (FRC) and is available to view on their website, www.frc.org.uk

Further information on our compliance with the Code can be found in the table below:

Section 1: Board leadership and company purpose		**See page**
A	Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	
B	Purpose, values and strategy with alignment to culture	
C	Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks	
D	Effective engagement with shareholders and stakeholders	
E	Consistency of workforce policies and practices to support long-term sustainable success	
	Chairman's statement	10 and 11
	Strategic report	1 to 61
	Board engagement with key stakeholders	51 to 54
	Shareholder engagement	52
	Audit Committee report	80 to 83
	Conflicts of interest	74

Section 2: Division of responsibilities		**See page**
F	Leadership of board by chair	
G	Board composition and responsibilities	
H	Role of non-executive directors	
I	Company secretary, policies, processes, information, time and resources	
	Board composition	68 and 69
	Key roles and responsibilities	67
	Information and training	73 to 74

Section 3: Composition, succession and evaluation		**See page**
J	Board appointments and succession plans for board and senior management and promotion of diversity	
K	Skills, experience and knowledge of board and length of service of board as a whole	
L	Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
	Board appointments and succession planning	65 and 85
	Board composition	68 to 69
	Diversity, tenure and experience	63
	Board, Committee and director performance evaluation	72 to 73
	Nomination Committee report	84 to 86

Section 4: Audit, risk and internal control		**See page**
M	Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	
N	Fair, balanced and understandable assessment of the company's position and prospects	
O	Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
	Audit Committee report	80 to 83
	Strategic report	1 to 61
	Fair, balanced and understandable Annual Report	81
	Going concern basis of accounting	81 and 117
	Viability statement	61

Section 5: Remuneration		**See page**
P	Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and value	
Q	Procedure for executive remuneration, director and senior management remuneration	
R	Authorisation of remuneration outcomes	
	Remuneration report	87 to 111

BOARD RESPONSIBILITIES

The Chairman and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between the Chairman and Chief Executive have been agreed by the Board and are set out below, together with information on the roles of the Senior Independent Director, the executive directors, the non-executive directors and the Company Secretary.

Chairman

- Leadership of the Board and setting its agenda, including approval of the Group's strategy, business plans, annual budget and key areas of business importance
- Maintaining appropriate contact with major shareholders and ensuring that Board members understand their views concerning the Company, especially on governance
- Ensuring a culture of openness and debate around the Board table
- Leading the annual evaluation of the Board, the committees and individual directors
- Ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information

Chief Executive

- Optimising the performance of the Group
- Day-to-day operation of the business
- Reviewing and proposing strategy
- Ensuring effective communication with shareholders and employees
- The creation of shareholder value by delivering profitable growth and a good return on capital
- Ensuring the Company has a strong team of high-calibre executives, and putting in place appropriate management succession and development plans
- Leading and motivating a large workforce of people

Senior Independent Director

- The Senior Independent Director provides a sounding board for the Chairman and supports him in the delivery of his objectives. The Senior Independent Director is available to shareholders if they have concerns which the normal channels have failed to resolve, or which would be inappropriate to raise with the Chairman or the executive team. He also leads the annual evaluation of the Chairman on behalf of the other directors
- The Senior Independent Director can be contacted directly or through the General Counsel

Executive directors

- The executive directors are responsible for the day-to-day running of the business and for implementing the operational and strategic plans of the Company

Non-executive directors

- The non-executive directors play a key role in constructively challenging and scrutinising the performance of the management of the Company and helping to develop proposals on strategy

Company Secretary

At Whitbread the General Counsel is also the Company Secretary. The duties performed in the Company Secretary element of his role include the following:

- Advising the Board on legal matters, corporate governance and Board procedures
- Arranging and minuting the Board and committee meetings
- Providing support to the Chairman, the Chief Executive and the Board Committee Chairs
- Enabling and supporting communication between directors and senior management to the Board and committees

AUDIT COMMITTEE

→ Read more on pages 80 to 83

NOMINATION COMMITTEE

→ Read more on pages 84 to 86

REMUNERATION COMMITTEE

→ Read more on pages 87 to 111

THE **BOARD**

The Board is responsible for the long-term success of the Company and ensures that there are effective controls in place which enable risk to be assessed and managed. All Board members have responsibility for strategy, performance, risk and people.

EXECUTIVE COMMITTEE

→ Read more on page 70

BOARD OF DIRECTORS

We believe that it is vital for the Board to include a diverse range of skills, backgrounds and experiences, to enable a broad evaluation of all matters considered and to contribute to a positive culture of mutual respect and constructive challenge.

The mix of skills and experience represented on the Board is outlined on page 63.

Key

- (A) Audit Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- Committee chair
- Committee member

Adam Crozier

N (chair) R (member)

CHAIRMAN

Date of appointment to the Board: April 2017
Date of appointment as Chairman: March 2018

Age: 58

Experience:

Adam was Chief Executive of ITV plc from 2010 to 2017. During his time as Chief Executive, ITV was transformed into a global media player of scale, delivering consistently good growth and with increasing emphasis on international content creation and distribution.

Prior to ITV, Adam was Chief Executive of Royal Mail, where he led its modernisation and transformed it from a heavily loss-making position to profitability. He has also been CEO of The Football Association and joint CEO of Saatchi & Saatchi. Adam has served as Chairman of Vue International and ASOS.

External appointments:

- BT Group plc (Chairman)
- Great Ormond Street Hospital Discovery Appeal (Trustee)
- Kantar Group (Chairman)

Alison Brittain

CHIEF EXECUTIVE

Date of appointment to the Board: September 2015

Age: 57

Experience:

Prior to joining Whitbread, Alison was Group Director of Lloyds Banking Group's Retail Division, having previously been executive director for Retail Distribution and Board Director at Santander UK PLC.

She has held senior roles at Barclays Bank, was a Member of the Prime Minister's Advisory Group and a non-executive director of Marks & Spencer Plc. Alison was named 'Business Woman of the Year 2017' in the Veuve Clicquot awards and awarded a CBE in the 2019 New Year's honours list.

External appointments:

- Prince's Trust Council (Deputy Chair)
- Experian PLC (non-executive director)
- British Airways PLC* (non-executive director)

* A wholly owned subsidiary of International Airlines Group (IAG) SA

Hemant Patel

CHIEF FINANCIAL OFFICER

Date of appointment to the Board: March 2022

Age: 52

Experience:

Hemant joined Whitbread in 2018 as UK Finance Director, having previously been Finance Director of Greene King Pub Co. He also worked at Asda-Walmart for 11 years, carrying out various management roles including Commercial Finance Director, Director of Own Label and Director of Strategy. He also had several finance roles over six years at Mars, Inc.

He was Chair of the Royal Armouries Museum and was awarded an MBE for services to museums and heritage in the 2020 birthday honours list. He also received the Arts and Business Individual of the Year award in 2007 for his work with Interplay Theatre.

External appointments:

- DCMS (non-executive director)

Richard Gillingwater

N (member) R (member)

SENIOR INDEPENDENT DIRECTOR

Date of appointment to the Board: June 2018

Age: 65

Experience:

Richard is Chairman of Janus Henderson Group plc, served as a non-executive director of Helical PLC and was former Pro-Chancellor of the Open University. Richard also served as Chairman on SSE PLC from 2015 to 2021.

Richard is a highly experienced executive and has spent much of his career in corporate finance and investment banking with Kleinwort Benson, BZW and Credit Suisse First Boston, before he moved out of banking and became Chief Executive of the Shareholder Executive and then Dean of Bayes Business School.

External appointments:

- Janus Henderson plc (Chairman)
- Spirax-Sarco Engineering plc (independent non-executive director and senior independent director)
- Wellcome Trust (Chair of the Investment Committee)

Frank Fiskers

R N A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: February 2019

Age: 60

Experience:

Frank spent ten years from 2007 as President & CEO of Scandic Hotels Group and took the company public in 2015. He has experience in a number of countries in Europe and Africa.

Frank has served as Chairman of Norstedt and Akademibokhandln. He has also served as a board member of the Swedish Hospitality Employers Association, Dame Thomas Foundation for Young People, and the British Hospitality Association.

External appointments:

- Shurgard Self Storage SA (non-executive director)

Fumbi Chima

N A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: March 2021

Age: 47

Experience:

Fumbi is Chief Information Officer at BECU, and previously held similar roles at adidas, Fox Network Group, Burberry, Walmart Asia's business operations and American Express global corporate technologies. Fumbi has more than 25 years of leadership and technology experience in both the retail and financial sectors.

In addition to technology, Fumbi's background showcases a dedication to diversity, women's empowerment and inclusion.

External appointments:

- BECU (Chief Information Officer and Executive Vice-President)
- Africa Prudential (independent director)
- Women at Risk International Foundation (director)
- The Azek Company (board member)
- Ted Baker PLC (non-executive director)

David Atkins

N R A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: January 2017

Age: 56

Experience:

David was Chief Executive of Hammerson plc, a British property development and investment company, and one of the UK's largest listed property companies. He stepped down from the position in November 2020.

He is also the former Chairman and executive board member of the European Public Real Estate Association (EPRA) and past President and a former committee member of Revo (formerly BCSC).

External appointments:

- Reading Real Estate Foundation (director and Trustee)
- OCS Group Ltd (non-executive director)

Kal Atwal

N R

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: March 2021

Age: 50

Experience:

Kal has over 13 years' executive committee experience at BGL Group Limited in various roles, including Founding Managing Director of comparethemarket.com. Kal was also Chair of SimplyCook, a tech-enabled meal kit subscription service prior to its sale to Nestlé.
Kal began her career at EY in Madrid, after which she held a number of operational and strategic roles with Southern Derbyshire Chamber and Northcliffe Media Ltd.

Kal is an experienced strategic leader with international experience in start-up, scale-up, fintech and digital businesses.

External appointments:

- Admiral Financial Services Ltd (non-executive director)
- Royal London Group (non-executive director)
- WH Smith PLC (non-executive director)
- SimplyCook Ltd (Board Adviser)

Chris Kennedy

A N

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: March 2016

Age: 58

Experience:

Chris is Chief Financial Officer and Chief Operating Officer of ITV plc, which he joined in February 2019.

Prior to this, Chris held CFO roles with Micro Focus International plc, ARM Holdings plc and easyJet plc, having previously spent 17 years in a variety of senior roles at EMI.

Chris was voted FTSE 100 CFO in 2015.

External appointments:

- ITV plc (Chief Financial Officer)
- The EMI Group Archive Trust (Trustee)
- Great Ormond Street Hospital Trust (Trustee)

Horst Baier

N A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: November 2019

Age: 65

Experience:

He was Chief Financial Officer of TUI AG, the London-listed Anglo-German leisure travel group for eight years until the end of September 2018. During his time at TUI AG, Horst played an important role in TUI's transformation from a tour operator to a global provider of holidays.

External appointments:

- Bayer AG (member of the supervisory board)
- DIAKOVERE GmbH (member of the supervisory board)
- Ecclesia Holding GmbH (member of the supervisory board)
- Hotel San Francisco S.A. (Consultant)
- Riu Family (Consultant)

EXECUTIVE COMMITTEE

Alison Brittain
CHIEF EXECUTIVE

Hemant Patel
CHIEF FINANCIAL OFFICER

Rachel Howarth
CHIEF PEOPLE OFFICER

Chris Vaughan
GENERAL COUNSEL

Simon Jones
MANAGING DIRECTOR FOR PREMIER INN AND RESTAURANTS UK AND GLOBAL COMMERCIAL DIRECTOR

Nigel Jones
GROUP OPERATIONS DIRECTOR

Simon Ewins
MANAGING DIRECTOR, UK HOTELS & RESTAURANTS

Mark Anderson
MANAGING DIRECTOR, PROPERTY AND INTERNATIONAL

The Executive Committee meets on a fortnightly basis and is chaired by Alison Brittain

It has authority to manage the day-to-day operations of the Group's businesses, with the exception of those matters reserved for the Board, within the financial limits set by the Board.

The Committee's responsibilities include:

- formulation of strategy for recommendation to the Board;
- management of performance in accordance with strategy and budgets;
- talent and succession;
- risk management;
- capital investment decisions (where Board approval is not required);
- cost efficiency, procurement and organisational design;
- reputation and stakeholder management;
- culture, values and sustainability;
- health and safety; and
- customer engagement and product development.

Rachel Howarth is Chief People Officer, responsible for Human Resources across the organisation in the UK and Germany, and the opportunity pillar as part of our Force for Good programme.

Nigel Jones leads Whitbread's strategy and operations for Technology, Procurement & Supply Chain and the overall Whitbread transformation plan, as well as having responsibility for safety and security across the business.

Mark Anderson is responsible for the acquisition, development and management of Whitbread's substantial property portfolio and in addition he leads Whitbread's International businesses, overseeing development and operations in Germany and the Middle East, and M&A.

Simon Jones leads the UK business, both for Premier Inn and Whitbread's portfolio of restaurant brands. Simon is responsible for the performance of the UK business and is directly accountable for hotel and restaurant operations, brand marketing and communications, proposition development, revenue management and pricing, F&B development and trading. Simon also leads the commercial, brand and marketing agenda in Germany

Simon Ewins is responsible for all Hotel & Restaurants portfolio operations across the UK and Ireland and represents a very large proportion of the Whitbread workforce.

Chris Vaughan has been General Counsel since joining the Company at the end of 2015. He is also the Company Secretary and is the Executive Committee member responsible for Whitbread's sustainability programme, Force for Good.

Biographical details for Alison Brittain and Hemant Patel can be found on page 68.

BOARD ACTIVITIES DURING THE YEAR

In advance of each Board meeting, a set of Board papers, including monthly financial and trading reports, is circulated so that directors have sufficient time to review them and arrive at the meeting fully prepared.

The Board has a rolling forward agenda which sets matters to be considered throughout the year ahead. One full day every year is dedicated to strategy. Following these sessions, the Board agrees the significant topics to be discussed at its meetings during the year. The rolling agenda is then updated to ensure that there is a structured approach to the consideration of topics and that recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and updated and is circulated as part of the General Counsel's report before each meeting.

The agenda for each Board meeting is agreed with the Chairman and the Chief Executive so that current events and potential future issues can be discussed alongside the regular reports. Standard items for each meeting are a review of progress on action points, reports from the Chief Executive, the Chief Financial Officer, the Chief People Officer and the General Counsel, and a KPI pack. The General Counsel keeps minutes of the meetings and produces a list of agreed actions for each meeting.

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters as shown on the right.

Board processes and topics to be discussed are continually reviewed to ensure that the correct focus is given to the key issues highlighted at the strategy day.

The Chairman meets with the non-executive directors without the executive directors present after each Board meeting.

The Senior Independent Director meets annually with all non-executive directors to review the performance of the Chairman. A review of the Board was carried out during the year.

There is a schedule of matters reserved exclusively to the Board; all other decisions are delegated to management. Those matters reserved exclusively to the Board include:

- approval of Group financial statements and the preliminary announcement of half-year and full-year results;
- approval of and changes to the Group's capital structure, strategy, the annual budget and the Group's business plan;
- approval of capital projects, acquisitions and disposals valued at over the limit set out in the matters reserved to the Board;
- approval of interim dividends and recommendation of final dividends; and
- establishment of Board committees.

BOARD AGENDA 2021/22

Standing agenda items
- Chief Executive's report
- Chief Financial Officer's report
- General Counsel's report
- Chief People Officer's report
- Premier Inn & Restaurants MD report
- Property & International MD report
- Approval of capital projects
- KPI pack

Q1
- Approval of year-end documentation
- Risk management and insurance
- Succession planning
- Premier Inn performance
- Group valuation and defence considerations
- Replacement of the Group's reservation and customer management system
- Pensions update

Q2
- Premier Inn & Restaurants opening plan
- Property portfolio valuation and update
- Commercial and operational update
- ESG update

Q3
- Group strategy
- Commercial and operational update
- 2021/22 interim results
- Investor relations/shareholder update
- Premier Inn & Restaurants opening
- Capital structure and financing
- German acquisition
- Update on the replacement of the Group's reservation and customer management system
- Pensions triennial review

Q4
- Operational update
- Governance update
- Budget review
- People strategy/talent succession
- Update on the replacement of the Group's reservation and customer management system
- Revolving credit facility update

BOARD EVALUATION

Board performance evaluation

An evaluation of the Board, its committees, individual directors and the Chairman is carried out each year. An internally facilitated Board evaluation has been carried out for the last two years, so this year we have undertaken an externally facilitated evaluation.

Board and committee review cycle

Year 1
(Financial year 2019/20)
Internal review

Year 2
(Financial year 2020/21)
Internal review

Year 3
(Financial year 2021/22)
Externally facilitated review

2020/21 internal evaluation

The internal evaluation last year highlighted the following areas:

Areas identified for improvement 2020/21	Progress made in 2021/22
Board agendas – consider reducing the number of items to allow for detailed discussions on all topics	There has been some progress on this but, in a busy year, there is still more work to do and it will continue to be a focus this year.
Succession planning and Board experience – review succession plans for Chief Executive, executive directors and wider leadership team, and consider non-executive directors with specific food and beverage and technology experience in the future	There has been positive progress with two new non-executive directors joining the Board in March 2021 and an internal promotion to fill the position of Chief Financial Officer.
A check-in on the current strategy and how it might need to be evolved to address a post-COVID world	This was covered as part of the strategy day in November.
Link between technology and strategy – improve the Board's knowledge on technology and the associated risks, and more alignment of technology with the Company's strategy	There has been some progress with the Board attending various training sessions to improve their knowledge on technology and associated risks.
Remuneration – greater monitoring of performance against targets through the year and consider further ways to engage with the workforce on remuneration matters	The COVID-19 pandemic has caused this to be a challenge this year and made some of the targets redundant. The Board will continue to monitor this going forward.
Training and development post-COVID	Details of training can be found on page 73 and 74.

2021/22 externally facilitated review

An evaluation of the effectiveness of the Board, its committees, individual directors, and the Chairman, is carried out each year. This year, an external evaluation has been carried out, because it was three years since the last externally facilitated process. The evaluation has been conducted by Ffion Hague, on behalf of Independent Board Evaluation. It is confirmed that neither Ffion Hague, nor Independent Board Evaluation, have any other connection to the Company.

2021/22 evaluation

Overall, the feedback given to the evaluation team was very positive. Despite two years of significant disruption to the business as a result of the COVID-19 pandemic, the Board feels that it has worked very well and considers itself to be an organised, professional and high functioning Board. This view was consistent with the feedback from outside the Board and there were relatively few areas of potential improvement identified.

Methodology

A comprehensive brief was given to the assessment team by the Chairman, Chief Executive and the General Counsel. Detailed meetings were conducted with each director, all members of the Executive Committee, and certain key external stakeholders, such as the auditor and remuneration adviser. The lead evaluator attended meetings of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee. A report was then compiled, which included an overall summary of findings, recommendations for improvement, and included guidance in relation to best practice UK Corporate Governance Code compliance.

Draft conclusions were discussed with the Chairman, and subsequently at the Board meeting on 20 April 2022. Feedback has also been provided direct to each committee chair and the report on the Chairman's performance has been discussed with the Senior Independent Director. In addition, the Chairman has received a report with feedback on the performance of individual directors.

Overall Summary and Recommendations

The following aspects of Board performance were rated particularly strongly by Board members:

- Strategy: the strategy is well laid out, and the strategy debates are thorough and comprehensive, and each Board member was able to contribute their views;
- Culture: Board culture is very positive. Relationships are good, open and transparent, but with appropriate constructive challenge;
- Board composition and new Board members: the Board has the appropriate levels of skills and competencies, and new Board members are selected in a thoughtful and democratic way, and once appointed, a thorough induction is undertaken;
- Governance: the Board approaches governance in a serious and diligent way, and Board processes are good;
- Board support and resources: the support provided is good and the Board is kept updated with the latest developments in corporate governance.

In terms of the areas needing attention, the following were highlighted by Board members:

- Succession planning: given the length of tenure of senior management, succession and talent management is a priority for the year;
- For obvious reasons, the Board has lacked quality time in the business, and physical time together, where further discussions can take place in a more informal setting;
- Papers and presentations: there is scope for more succinct papers and presentations, and identification of key points and Board "asks";
- Performance evaluation: more feedback would be appreciated on the performance of individual directors.

The report contained a benchmark review of the Board against peer groups which identified a need to improve the gender balance of the non-executive director group as soon as practicable. The evaluation team also highlighted the need to review the employee engagement mechanism of the Board and to agree specific actions to link non-executive Board members more closely with the business and senior managers over the coming year.

The following recommendations for action were accepted by the Board during its discussion on the evaluation:

- Culture: plan more meetings out in the business and schedule more private sessions of the Chairman and non-executive directors alone at, or around, scheduled Board meetings;
- Governance: it was agreed to consider setting some clear Board objectives to reflect priorities; to consider a further senior female non-executive director appointment; and to consider repeating the induction programme after three years on the Board;
- Connection with the business: agreed to consider an informal mentoring programme with non-executive directors and senior managers; and also to have regular check-ins with Executive Committee members;
- Employee engagement: agreed to review how the Board interacts with the wider workforce.

Audit Committee
The feedback suggests that the Committee is very well chaired, provides a strong, constructive and knowledgeable challenge, and contains the right level of expertise. It was recognised that a priority over the coming year is to provide support for the new Chief Financial Officer and it was agreed to consider the quality of the papers.

Remuneration Committee
The Committee is considered to be effectively and efficiently chaired, and well supported by the internal team and by the external advisers. Committee members are acutely aware of shareholder views, and of the adverse vote at the AGM on the remuneration report, and are keen to continue to seek the right balance between reward and incentives over the coming year.

Nomination Committee
It has been a busy period for the Nomination Committee, with the appointment of two non-executive directors and a new Chief Financial Officer in recent months. The succession process for the new Chief Financial Officer was thought to have been very well handled. There is more work to do in terms of succession planning and the Committee is fully aware of its responsibilities with respect to diversity and inclusion and is determined to address them.

Insurance cover

The Company has appropriate directors' and officers' liability insurance in place. In addition to this, the Company provides an indemnity for directors against the costs of defending certain legal proceedings and generating claims over and above those covered by insurance. These are reviewed periodically.

Board and committees
It is believed that the Board and its committees have the appropriate balance of skills, experience, diversity, independence and knowledge of the Company to enable them to discharge their responsibilities effectively. After assessing independence against the Code, the Board considers all non-executive directors to be independent in judgement and character, and also considered the Chairman to be independent on appointment.

During the year, there have been a number of changes to the Board. Louise Smalley retired from the Board on 31 August 2021 after joining Whitbread in 1995. Fumbi Chima and Kal Atwal were appointed to the Board on 1 March 2021 as independent non-executive directors. Hemant Patel was appointed to the Board and Executive Committee with effect from 21 March 2022 as Chief Financial Officer. Nicholas Cadbury stepped down from the Board on 20 March 2022.

Commitment
On behalf of the Board, the Nomination Committee has reviewed the extent of other interests of the non-executive directors. The Board is satisfied that the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company. No executive director has taken on more than one non-executive directorship in a FTSE 100 company.

During the year, Alison Brittain advised the Board that she had been invited to join the advisory board at British Airways. The Board noted that the position was not on the board of a listed company. It also noted that the time commitment required was expected to be low, and that the position was not one for which any remuneration would be received. Alison also advised the Board of her intention to step down from the board of the Prince's Trust during the course of 2022. The Board carefully considered the time commitment involved, together with Alison's other commitments, and then confirmed that it was acceptable for Alison to accept the position at British Airways.

Training and development
Throughout the year, Board members attended various deep dive sessions across a range of topics, to hone their skills and expertise. Some of the topics covered in these training sessions were:

- GAAP developments;
- Audit Committee obligations;
- TCFD and climate disclosure; and
- Diversity and Inclusion.

The Board also attended externally facilitated training covering topics including:

- Ransomware and cyber resiliency;
- Risk management;
- Developing a Paris-aligned investment strategy;
- Education session on global supply chain challenges; and
- Audit and corporate governance.

All directors have access to independent professional advice at the Company's expense. Directors serving on the Board and committees confirmed that they were satisfied that they received sufficient resources to enable them to undertake their duties effectively. Each director has access to the General Counsel for advice on governance.

The General Counsel prepares a monthly report that includes updates on secretariat and legal matters, along with governance, compliance and insurance. This report is presented and discussed at each Board meeting.

Induction process

On appointment, all directors receive a full and formal induction that is tailored to their specific needs.

Fumbi Chima and Kal Atwal joined the Board as non-executive directors in March 2021. As part of their induction, meetings were arranged with other Board colleagues and with a number of senior leaders from across the business to get a better understanding of Group strategy, key issues and how the Company is run. They were given access to all historic Board and Committee meeting papers. They also met with key external stakeholders, including the auditors, brokers, investment banking advisers and remuneration consultants.

Once the COVID-19 related Government imposed restrictions were eased, Fumbi and Kal visited Whitbread sites in London and in Birmingham with Simon Ewins, Managing Director, UK Hotels & Restaurants. Hemant Patel joined the Board as Chief Financial Officer on 21 March 2022. As part of his induction, he has met with the Company's brokers, investment banks, key shareholders and analysts, and has met with Slaughter & May, corporate legal advisers, to understand the role and responsibilities of being a PLC director.

Conflicts of interest

Directors are required to disclose any conflicts of interest immediately as and when they arise throughout the year. In addition, a formal process is undertaken in January each year when all directors confirm to the Board details of their external interests, including any other directorships which they hold.

These are assessed by the Board to determine whether the director's ability to act in the best interests of the Company could be compromised. If there are no such potential or actual conflicts, the external interests are authorised by the Board. All authorisations are for a period of 12 months. No director is counted as part of a quorum in respect of the authorisation of his or her own potential conflict. It is recognised that all organisations are potential customers of Whitbread and, in view of this, the Board authorises all directors' current external directorships.

The Board also assesses the commitments of all the directors to ensure they have sufficient time to dedicate to Whitbread.

Privacy

Our data protection policies, guidelines and processes set a globally applicable privacy and security standard for the Company and regulate the sharing of information both internally and externally. Our data protection steering group will continue to drive awareness and monitor GDPR compliance through ongoing training and governance.

Anti-corruption and anti-bribery

Whitbread is strongly opposed to any form of corruption or bribery. We recognise that it impacts societies in many negative ways. Our reputation is built on trust: the trust of our customers, our people, our partners and suppliers, our investors and the communities we serve. Our anti-corruption and anti-bribery policies apply our strict standards worldwide and are reinforced through training and our day-to-day conduct. We encourage all with concerns to speak out and have facilitated this further through our Speaking Out helplines, enabling reporting of concerns on a named or anonymous basis.

Shareholder relations

In accordance with the Code, the Board recognises that it has responsibility for ensuring that a satisfactory dialogue with shareholders takes place and any major shareholders' issues and concerns are communicated to the Board through the Chairman. The Chairman holds a round of meetings each year with major shareholders to obtain feedback on their views and any issues of concern, and these meetings took place during 2021.

The Company communicates with both the institutional and private shareholders through a number of different means. All directors take part in the AGM and shareholders are able to submit questions to directors, including committee chairs throughout the year. Further information on shareholder engagement can be found on pages 51 to 54.

The annual general meeting

The AGM provides all shareholders with the opportunity to communicate directly with the Board and the Board encourages their participation at the meeting.

In accordance with the Code, the Notice of AGM and related papers are usually sent to shareholders at least 20 working days before the meeting. The Company proposes a separate resolution on each substantially separate issue including a specific resolution to approve the Annual Report and Accounts. For each resolution, proxy appointment forms provide shareholders with the option to vote in advance of the AGM. All valid proxy votes received for the AGM are properly recorded and counted by Whitbread's registrars.

All voting by shareholders at this year's AGM will be by poll. The voting results, including proxy votes received, will be displayed on a screen at the end of the meeting. In addition, the audited poll results will be disclosed on the Company's website following the meeting and announced through the regulatory news service.

Share capital

The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on page 113.

Statement of the directors in respect of the Annual Report and Accounts

As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on page 81.

Going concern

The directors' going concern statement can be found in the directors' report on page 117.

Viability statement
The viability statement can be found on page 61.

Business model and strategy
Information on the Group's business model and the strategy for delivering the objectives of the Company can be found on pages 22 to 29.

Board committees
The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are reviewed regularly and updated in line with best practice. They are available in full on the Company's website at www.whitbread.co.uk/governance/reports-policies. A detailed report from the Chairman of the Remuneration Committee is set out on pages 87 to 111. Reports from the Audit and Nomination Committees can be found on pages 80 to 86.

Accountability and internal control
Internal control and risk management
The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage rather than eliminate risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. This process was in place throughout the 2021/22 financial year and up to the date of this report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the principal risks, together with the viability statement, can be found on pages 56 to 61.

Risk analysis
- The Board identifies the principal risks of the Company on a regular basis and throughout the year it reviews the actions in place to mitigate the risks together with assurance and monitoring activity. The analysis covers business and operational risks, health and safety, financial, market, operational and reputational risks which the Company may face as well as specific areas identified in the business plan and budget process.
- All major capital and revenue projects, together with significant change programmes, include the consideration of the risks involved and an appropriate action plan.

Controls
- The Company reviews and confirms its level of compliance with the Code on an annual basis.
- The matters reserved to the Board require that major projects and programmes must have specific Board approval.
- Limits of delegation and authority are prescribed to ensure that the appropriate approvals are obtained if Board authority is not required to ensure appropriate segregation of tasks.
- Group financial policies, controls and procedures are in place and are regularly reviewed and updated.
- The Whitbread Code of Conduct, setting out required levels of ethics and behaviour, is communicated to employees and training is provided. An externally hosted whistleblowing system is also available.
- The Code of Conduct makes reference to specific policies and procedures which have to be followed.
- Employees are required to undertake tailored training on risk areas including IS security, data protection, anti-bribery and anti-trust law.
- Management is responsible for ensuring the appropriate maintenance of financial records and processes that ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations and is distributed both internally and externally in a timely manner.
- A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.
- All financial information published by the Group is subject to the approval of the Audit Committee and the Board.
- An annual review of internal controls is undertaken by the Board with the assistance of the Audit Committee.

Assurance
- The Audit Committee approves the audit programme which ensures that the significant areas of risk identified are monitored and reviewed.
- The programme and the results of the internal audits are regularly assessed during the year.
- The Audit Committee reviews the major findings from both internal and external audits.
- Internal audits are carried out under the control of the Head of Internal Audit. The reports are reviewed by the Audit Committee and, on a monthly basis, by the Executive Committee to ensure that the actions required to address issues identified are implemented.
- The Head of Internal Audit reports annually to the Audit Committee on the effectiveness of operational and financial controls across the Group.
- Deloitte LLP, the Company's external auditor, reviews and reports on the significant issues identified in its audit report.
- An internal control evaluation process is overseen by the management team which assesses the level of compliance with the controls, policies and processes and the results are reviewed and tested on a sample basis by the internal audit team.
- Post-completion reviews of major projects and investments are carried out and reported on to the Board.
- Internal Audit provides independent programme assurance over strategic programmes, as part of its overall audit plan and as required by the Board, leveraging third-party subject matter experts where appropriate, e.g. for our reservations system replacement, strategic network replacement and people programmes.

CULTURE AT WHITBREAD

At Whitbread, our culture has been shaped over our 280-year history. It has evolved through external and internal influences and has stood the test of time. Our values of genuine, confident and committed are embedded in everything we do: the decisions we make, the targets we set and how we balance our actions to achieve our strategy.

Being in the hospitality industry, our 35,700 team members are the face of Whitbread. They bring our hotels and restaurants to life, supported every day by their colleagues in the Support Centre. Whitbread recognises that, while culture can be set at the top, it is our front line team members who truly create and keep our special culture alive. This belief has helped us to be named as a Top Employer 12 consecutive years.

We believe that our culture is special, and it is woven into our values, purpose and mission, and in the way we make decisions. We demonstrate our culture in everything we do and every decision we make. We are a hospitality company, focused on delivering great service and experiences for all of our customers, and our customer heartbeat model, supported by our values, is closely aligned to our purpose.

Our culture is very much about hospitality, based around cooperation and collaboration, rooted in driving excellent performance, serving and delighting our guests. By constantly innovating and connecting genuinely with our customers, we aspire to grow our brands and stay ahead – ultimately, our goal is to be the world's best budget hotel company. It's our Winning Teams that make everyday experiences special for our customers, so they keep coming back – and we keep progressing.

As we progress, we aim to be a Force for Good. Being diverse and inclusive is an important part of this. We want every team member to bring their very best selves to work, and our communities – 'GLOW', our LGBTQ+ network; 'Race, Religion and Cultural Heritage network'; and our disability inclusion network, 'enAble' – have been championing our purpose of no barriers to entry and no limits to ambition. Each of these groups is sponsored by a member of the Executive Committee.

The pandemic meant that organisations had to adapt to the changing environment around them while being true to their values. It also meant that maintaining our special culture has been more difficult, with large numbers of team members on furlough and/or working from home. We believe that we achieved the right balance at Whitbread. It also brought about long-term changes in the way companies operate. Recently we have thought carefully about the need to retain our culture while adapting to new conditions and have introduced a new hybrid working model for our Support Centre teams with this in mind.

The UK Corporate Governance Code 2018 emphasises the importance of culture in ensuring the success of an organisation. One of the principles of the Code is that the board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Code further provides that the board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The Board has monitored the Company's culture in a number of ways, some of which are set out below:

INITIATIVE	ACTION TAKEN
Engaging with our sites	As soon as business reopened and restrictions eased, a Board meeting was arranged on site for the Board to be visible in the business and experience our special culture. Individual Board members have stayed in our hotels and visited our restaurants on a planned and unplanned basis in order to share the guest experience and understand the culture across the business.
Board Diversity Policy	The Board believes that diversity in all forms is critical to the effectiveness of the Board and Whitbread's continued success, which is why we have made a commitment to put diversity at the core of our business agenda with an aim to become the most inclusive hospitality business. This Board Diversity Policy is applicable to the PLC Board only, but sits alongside the Whitbread Code of Conduct, and Diversity and Inclusion Policy, which set out Whitbread's broader commitment to diversity and inclusion.
Attendance at 'Leading in an Inclusive World' training	In May, all members of the Board attended a two-hour upskilling session focusing on diversity and inclusion, including their role in our Diversity and Inclusion commitments. This session was delivered by our partners INvolve, topics included bias, privilege and allyship, and at the end all Board members committed to a personal action.
Team retention	The Board carefully considered the levels of team retention and pay. To make sure that Whitbread is an attractive place to come and work, and to stay, our team members were offered a number of retention packages and enhanced hourly pay to retain the special nature of our service oriented hospitality culture.
Listening updates	The Board has received presentations on our pulse surveys throughout the year, and feedback from Our Voice representatives, including through the monthly report by the Chief People Officer. Our Talent strategy, and succession and retention issues have all been carefully considered by the Board.
Chief Financial Officer **An internal hire**	We believe in 'no barriers to entry, no limits to ambition' and are proud that our new CFO has been internally promoted. This demonstrates how we can support all our people to develop their careers at Whitbread, at all levels of our business.
German Sharesave scheme	The Whitbread Sharesave scheme has been available for all UK-based employees for many years. The Board wanted to ensure that German colleagues also had the opportunity to share in the growth of the business alongside their UK counterparts and also drive employee commitment and ambition. Sharesave was successfully launched in Germany in November 2021.

Q&A WITH NON-EXECUTIVE DIRECTOR, KAL ATWAL

How was your induction to Whitbread?

KA Due to the circumstances of the COVID-19 pandemic, I had a hybrid induction experience with Whitbread, which expanded over my first year on the Board.

I would describe the induction as very thorough. It was quite intense, but also tailored to my own interests, for example the digital agenda. Initially, the majority of my induction consisted of meeting my fellow Board members, members of the Executive Committee and external advisors. It was impossible to visit our hotels and restaurants at the time due to lockdown restrictions. However the virtual nature of these meetings allowed me to cover a lot of ground, something I don't think would have been possible in 'normal' times.

Once restrictions eased and the business reopened, I had the opportunity to visit the hotels and restaurants. I visited several Premier Inn hotels, hub by Premier Inn and a Bar + Block all in the London area. Later in the year, I visited a variety of Premier Inns in the Birmingham area. The site visits provided an overview of the development of the hotels and restaurants and what is required in certain areas. I also really valued being involved in structuring the induction – as a result, separate training sessions were arranged and I spent more time on understanding the commercial, marketing, pricing, digital and technology areas of the business.

How have you found your first year as a non-executive director at Whitbread?

KA It's been quite a rollercoaster. Since joining Whitbread in March 2021, I've seen the business closed due to COVID-19 restrictions and then re-opened. There was a lot of operational stress on the business, from regional lockdown differences, to staff shortages, to supply chain issues and latterly cost inflation. Seeing the business in action at a time of operational hardship has greatly aided my understanding of the hospitality sector.

Throughout the year, I have been impressed by the level of operational detail that the business puts into providing its first-class consumer proposition. The hospitality sector is a dynamic and fast-changing business, and it is a very customer-focused business – I've been impressed with how much time the Board spends talking about customers. The other group which receives a lot of attention is our people – as a hospitality business, our people are critical to our success, and the Board spends a lot of time talking through people issues.

Overall, my first year at Whitbread has exceeded my expectations. I'm glad to be a part of a business that focuses so heavily on the customer and its people.

What do you think are the key challenges in the current governance climate?

KA It is always a challenge to keep up to speed with the ever changing world of corporate governance. I think the Board strikes the right balance between the need to discuss governance matters, while focusing on performance, strategy, operations, and people, but we always ensure that we take the time to keep up to date with corporate governance developments.

There have also been significant changes relating to ESG reporting requirements in recent years, and in this annual report you will find a summary of our first TCFD report on page 48 to 49.

How important is Diversity and Inclusion to the business?

KA Whitbread has a good reputation for its Diversity and Inclusion (D&I) programmes, particularly from a gender perspective. The importance of D&I is well embedded in the business, and this is demonstrated through already having achieved the target of having 40% female representation in the leadership population by 2023 and being on track to deliver the commitment of 8% ethnic diversity in the leadership population by 2023.

Nevertheless, there is always more to do and improve upon. A particular focus for me, is to understand how we develop the talent pipeline from within, beyond senior leadership roles. I am passionate about understanding the progression of the teams in our hotels and restaurants and how we can develop their career paths.

In Alison Brittain you have a Chief Executive who genuinely cares, supported by an executive team that is equally as committed on the subject. This sets the tone for the rest of the business. There is a genuine appetite and desire to drive Whitbread's D&I commitments throughout the business. I'll continue to provide challenge around the Board table, as a diverse board aids in effective decision making, but I am happy with the steps Whitbread is taking to become more diverse and inclusive.

How would you describe the Whitbread culture?

KA The culture throughout Whitbread is customer-led and people-focused, with an emphasis on being transparent and collaborative. While being hardworking and straightforward, it's also a fun working environment. I would describe it as collaborative in nature, with very strong levels of transparency throughout the business. It's a nice place to work, and the people I've met have been very friendly.

Around the Board table, it's the same: it is collaborative, there is good constructive challenge, and there is no fear of challenge. And it's fun. I've really enjoyed the meetings. We all recognise we are on the same team but acknowledge the different approaches everyone has to offer.

What was one of the highlights for you during your year at Whitbread?

KA A standout of the year for me was developing a good understanding of the business, visiting many different hotels and restaurants throughout the UK. It provided an insight into how the business operates on the ground and I was grateful to meet and chat with the teams. It gave me a real understanding of the difficult challenges they've faced throughout the year and how they remain motivated and enthusiastic. I learnt about the support Whitbread provides in having a career in hospitality and how a team member progresses in the industry. Moreover, I learnt about how we support their personal development. This was evidenced when a team member told me that Whitbread had helped her to achieve her goal of learning to drive.

I also loved seeing the different types of hotels in the portfolio: from smaller hotels on the outskirts of towns and cities, which had a family feel and where teams spoke of having a regular customer base, to larger inner-city hotels which cater to bigger groups and business guests. A particular personal highlight was the fish and chips I had at one of the Table Table restaurants I visited!

On the business side, I've enjoyed getting to grips with the significant technology and digital agenda of the Group. There is much to do here, but I have been impressed by the levels of innovation throughout the business.

What are your key focuses for the year ahead?

KA I'm looking forward to visiting Germany. We have planned trips in April and September to visit the Premier Inn hotels in several different areas. I'm excited about better understanding the German side of the business and meeting the team members who operate these hotels.

More generally, I want to get out to more sites now that we will be entering into a year without disruptions. We will be focusing on recovering from the COVID-19 pandemic and aiming to continue the outperformance versus the market during this phase.

Lastly, a key focus is to assist in strengthening and challenging the technology, digital and data agendas and the ongoing technology transformation, while also supporting the growth drivers in the UK and overseas.

Audit Committee Report

Chris Kennedy
Chair, Audit Committee

Membership of the Audit Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Chris Kennedy (Chair)	4/4
David Atkins	4/4
Horst Baier	4/4
Fumbi Chima	4/4
Frank Fiskers	4/4

The Committee met four times in 2021/22. Meetings were attended by all members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Chief Financial Officer, the Head of Internal Audit, the Group Financial Controller and other relevant people from the business when appropriate.

The external auditor, Deloitte LLP, is also invited to meetings except where discussion includes matters relating to its own independence, performance, reappointment, fees or audit tendering.

Composition of the Committee

In accordance with the UK Corporate Governance Code 2018, the Board has confirmed that all members of the Committee are independent non-executive directors and have been appointed to the Committee based on their individual financial and commercial experience.

The Board has also confirmed that I, as Chair of the Committee, have recent and relevant financial experience through my current appointment as Chief Financial Officer of ITV plc and my previous appointments as Chief Financial Officer of Micro Focus International plc and ARM Holdings plc, together with my past role as group finance director of easyJet plc.

As part of the Company's annual compliance with the Code, this being the third year, an external evaluation was undertaken by Ffion Hague, of the skills and experience of the Committee. The report stated that the Committee is very well chaired, provides a strong, constructive and knowledgeable challenge, and contains the right level of expertise. It was recognised that a priority was to provide support for the new Chief Financial Officer and it was agreed that the quality of the papers would be given consideration. Through the external appointments that David Atkins, Frank Fiskers, Fumbi Chima and Horst Baier have held, they bring a depth of financial and commercial experience that add to the strengths of the Committee.

Role and responsibilities of the Committee

The Board has delegated specific responsibilities to the Committee in accordance with the Code. The key responsibilities of the Audit Committee are to:

- monitor and review the integrity of the Group's half-year and full-year financial results, and the financial reporting process;
- monitor the statutory audit of the parent company and consolidated financial statements;
- review the Group's internal controls and risk management systems;
- review and monitor the independence and effectiveness of the external auditor, in particular, the provision of additional services;
- monitor and review the effectiveness of the Group's Internal Audit function; and
- have primary responsibility for the recommendations to the Board in relation to the external auditor.

To aid its review, the Committee considers reports from the Director of Financial Reporting & Control, the Head of Internal Audit and also reports from the external auditor on the outcomes of its half-year review and annual audit. The Committee looks for constructive challenge from Deloitte as external auditor.

Significant matters in the financial statements

The key areas of judgement and estimates considered by the Committee, in relation to the 2021/22 accounts and disclosed in Note 2 to the consolidated financial statements on pages 149 and 150, were:

Adjusting items

The Committee challenged the appropriateness of the presentation of adjusting items, giving consideration to the nature and significance of each item classified as adjusting. The Committee concluded that the items met the criteria as defined by the accounting policy and that the policy had been applied consistently across years.

Defined benefit pension

The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the fair value of pension scheme assets and present value of defined benefit obligations under IAS 19, to satisfy itself that appropriate consideration and balance had been given to all macroeconomic factors. The principal assumptions used and the sensitivities around them were considered and the consistency in approach from 2020/21 to 2021/22 was assessed. The Committee discussed a change in methodology used to estimate the discount rate used in calculating the value of the scheme liabilities, concluding that the adoption of a single-AA rated methodology was appropriate.

Impairment testing – property, plant and equipment, goodwill and right-of-use assets

The Group's impairment reviews require significant judgement in estimating the recoverable amount of its cash generating units. An impairment review was undertaken at year-end which resulted in the recognition of a net impairment reversal of £42.0m (impairment charge £10.5m and impairment reversal £52.5m) across UK and Ireland and no impairment or reversals being recognised in Germany. The reversal was driven by the recovery of trading performance across the UK estate due to the easing of COVID-19 restrictions in FY22 and reductions in the discount rate.

The Committee reviewed the approach taken to the impairment review. The Committee challenged management's approach, in particular the methodology used to estimate both value in use and fair value less costs of disposal for site level impairment reviews. The Committee also challenged the inputs used in management's model, with a specific focus on discount rates and growth rates. The Committee was satisfied that the Group has appropriately performed the impairment reviews, accounted for the impairments identified and that the related disclosures were appropriate.

Fair, balanced and understandable

In order to confirm to the Board that the Annual Report and Accounts, taken as whole is fair, balanced and understandable, there has been a thorough verification and approval process using the Committee's knowledge of the Company, as outlined below:

- the Annual Report and Accounts is drafted by the appropriate senior management with overall coordination by the Secretariat team to ensure consistency;
- comprehensive reviews of the drafts of the Annual Report and Accounts are undertaken by management, the Executive Committee and the Audit Committee Chairman;
- a final draft is reviewed by the Audit Committee prior to consideration by a committee of the Board; and
- formal approval of the Annual Report and Accounts is given by a Committee of the Board.

Going concern and viability

The Committee received regular updates on the steps taken by management to secure liquidity for the recovery period beyond. The assessment of the Group to continue as a going concern is supported by the following:

- Cash and cash equivalents of £1.1bn at the balance sheet date.
- Whitbread met all financial covenants during the period of assessment under both the base case and severe but plausible scenarios.
- £1.0bn of sterling bonds maturing outside of the going concern period, between October 2025 and May 2031, with no covenants
- All US private placement loan notes having been repaid, with the final 2022 tranche being repaid in full during the period, removing the associated covenants.
- Formal agreement having been reached with Pension Trustees to remove the financial covenant test from the deed of covenant.

The Committee has reviewed the Group's severe but plausible scenario and is satisfied that this is appropriate in supporting the Group as a going concern.

In addition, the Committee has reviewed the Group's assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group's position following the steps taken during the year as listed above and the three-year plan recently approved by the Board. The Committee considered the potential financial impact of the Group's principal risks and uncertainties including the impact of climate change and climate change legislation on the Group's operations. The Committee has concluded that these assumptions are appropriate.

Internal control and risk management

The Audit Committee monitors the systems of risk management and internal control. In addition, the Committee completes an annual review of the effectiveness of these systems, assessing the risk management framework and policy, management's risk assessment and review process, and the monitoring and reporting of risk. This review is completed in conjunction with an internal control effectiveness review from Internal Audit and Group Finance, and considers all material controls, including financial, operational and compliance controls. The system and processes were considered to be robust in the UK and maturing in our overseas businesses; where areas of improvement were noted as processes are being embedded.

During the year, the Committee dedicated time to the following matters:

- Deferred tax on freehold and leasehold estate – Due to the complex nature of the tax environment associated with the Group's properties, management presented a review to the Committee with a focus on the controls over the processes for determining the valuation of deferred tax assets and liabilities. This included a review of the enhanced controls over key processes and assumptions which had been implemented during the year as well as plans to embed further controls within the wider tax processes during the coming year.
- Repairs and maintenance expenditure – The Committee received a briefing from management on improvements made to controls over repairs and maintenance expenditure.
- Control environment in Germany – As a result of the focus on growth and relative immaturity of the Group's operations in Germany, the Committee reviewed the effectiveness of the controls in this area. The review allowed the Committee to gain a deeper understanding of the controls and process enhancements undertaken in 2021/22.

A robust assessment of the principal and emerging risks facing the Company was carried out by the Board, considering risk appetite, and each risk was assessed and the level of assurance required was determined. Further details of the principal risks identified and agreed by the Company can be found on pages 58 to 60.

Audit Committee Report continued

Internal audit

The Internal Audit function provides independent assurance through reviewing the risk management processes and internal controls established by management.

The Audit Committee monitors and reviews the scope, extent and effectiveness of Whitbread's internal audit function. Regular presentations and updates are given to the Committee by the Head of Internal Audit and complemented by private discussions as and when necessary. The Committee has approved the Group internal audit terms of reference, which sets out the role, accountability, authority, independence, and objectivity of the function. The Committee considers matters raised through audit reports and the adequacy of management's response to them, including the time taken to resolve any such matters. The main focus areas for internal audit during the year included processes supporting Whitbread's health and safety operations, payroll activities and integration programme in Germany. In the UK, operational and commercial reviews were performed, including repairs and maintenance, payroll, and compliance with the requirements of the Coronavirus Job Retention Scheme. The IT Internal Audit team focused on information security and compliance, with reviews performed over the Security Operations Centre and GDPR practices, as well as providing significant systems and change programme assurance, including the replacement of Whitbread's CRM system over the next few years.

The scope of activity of internal audit is monitored and reviewed at each Audit Committee meeting. An annual plan was agreed by the Committee in March 2022 which covers the activities to June 2023. The internal audit plan is determined based on the Audit Universe which sets out all auditable areas of the business and assigns each area a risk level and recommended audit frequency. The internal audit plan is aligned to the Group's principal risks which are formally reviewed and agreed by the Executive Committee and Board on a biannual basis against a standard set of risk assessment criteria. The plan also considers areas of major change within the business, recurring themes from previous audit results and the views of management. Follow-up audits are also planned in areas where past audits highlighted significant risks to ensure remedial actions have been implemented and are working effectively to reduce Whitbread's risk exposure.

Areas highlighted for audit on the current plan include a greater focus on operational risks in Germany, including repairs and maintenance, procurement, and refunds. In the UK, audits are centred on optimising processes where associated risk has increased in the year, including labour planning, target operating model, and supply chain logistics. The IT Internal Audit team provides assurance over Whitbread's information systems, with the plan focused on the robustness of core IT operational areas including change management, asset management, and incident and problem management at a time when significant change is expected to go live. The team will continue to provide assurance to de-risk Whitbread's ongoing major change projects, including the replacement of the CRM system, the replacement of the network across all our sites and our People programme.

Internal audit ways of working have continued to adapt to changing requirements for remote and hybrid working. The overall approach remains the same and the underlying audit methodology and processes are unchanged, with audits fully compliant with best practice and internal audit standards.

External auditor

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Company in 2015 following a formal tender process, and reappointed at the 2021 annual general meeting. The current audit partner is Katie Houldsworth, who was appointed in 2020.

Audit effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We receive from Deloitte a detailed audit plan, identifying its assessment of these key risks.

These risks were reviewed and they, together with the work done by the auditor, were challenged to test management's assumptions and estimates around these areas, as well as other areas reported upon. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Deloitte at both the half-year and year-end. In addition, feedback was sought from the Committee, the Board and management on the effectiveness of the audit process and targeted and tailored questionnaires were completed.

An assessment of the effectiveness of Deloitte in respect of the previous financial year was undertaken in July 2021. Overall, it was noted that despite the challenges of remote working, the audit was effective and executed to a high standard with relevant and robust challenge together with partnering on significant judgemental areas and best practice governance. However, it was noted that there was still room for improvement in respect of the planning and timeliness of audit requests.

As part of our review process for this financial year, the Committee will be assessing the work of the year-end audit, once finalised, and an effectiveness review for this financial year will be undertaken and reported to the Audit Committee.

The Committee confirms that the Company has complied with regard to the requirement of the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Group intends to put the external audit out to tender every ten years in the future, with the next tender expected to be in 2025.

The Committee reviewed a letter received from the FRC on its review of the Group's 2020/21 Annual Report and Accounts. The FRC's review was based solely on the contents of the Annual Report and Accounts. The FRC had no questions or queries that they wished to raise with the Group.

Auditor independence

To safeguard the objectivity and independence of the external auditor, the Committee's terms of reference set out the policy is respect of provision of services by the external auditor. The Committee regularly reviews this policy for necessary changes in response to changes in related standards and regulatory requirements. This policy was updated in March 2020 to incorporate the Revised Ethical Standards issued by the FRC in December 2019.

The policy defines prohibited services that are not to be provided by the auditor because they represent a risk to the external auditor's independence. For certain services that are not prohibited, because of the knowledge and experience of the external auditor and/or for reasons of confidentiality, it can be more efficient or prudent to engage the external auditor rather than another party. This is particularly the case with audit-related assurance services that are closely connected to the audit function where the external auditor has the benefit of knowledge gained from work already performed as part of the audit.

Strategic report
Governance
Financial statements
Other information

For certain specified audit and audit-related services, the Group can employ the external auditor without reference to the Audit Committee, subject to a specified fee limit of up to £250,000. For the services permitted in certain circumstances, agreement must be sought from me, as Chairman of the Committee, where fees are less than the limit specified, or with full Audit Committee approval where fees are anticipated to be greater than £250,000. A tender process would be held where appropriate.

Total non-audit fees amounted to £0.1m consisting of the interim review. Although this is considered to be a non-audit service, the objectives of the review are aligned with the audit.

Chris Kennedy
Chair, Audit Committee
27 April 2022

Main activities during the year

In 2021/22, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting. The details of the matters discussed at Committee meetings are shown below.

March 2021

- Review of year-end Financial Statements template, financial reporting outlook, and tax
- External auditor – approval of remuneration, terms of engagement and other fees, controls update and FRC audit quality review
- Internal audit – approval of plan
- Risk and controls – review of risk management process, approval of policy, update on financial control framework and litigation review
- Review of the year's Speaking Out reports
- Review of Committee's rolling agenda
- Audit Committee evaluation report
- Audit Committee terms of reference

April 2021

- 2020/21 Annual Report and Accounts
- 2020/21 Deloitte external audit report
- Non-audit services and fees
- Internal audit – review of 2020/21 report and terms of reference
- Risk and controls – review of statements on risk management and tax controls
- Compliance report
- Review of management papers in relation to going concern and viability, job retention scheme, assessment of whether the annual report is fair balanced and understandable
- Meeting with auditors without executive team present and non-executive directors only meeting

July 2021

- Risk and controls – cyber security benchmarking update and German hedging
- Compliance – Audit Committee effectiveness review, GDPR review, treasury policy approval, external audit year-end feedback and assessment
- Internal audit – progress update, Group's reservation and customer management system assurance plan, and Repairs and Maintenance update

October 2021

- Review of FY22 Interim Results – including management papers in relation to judgements and estimates, impairment and going concern
- External audit – half-year report, letter of representation, UK Corporate Governance Code update, and approval of terms of engagement
- Risk and controls – litigation review, compliance report, and controls update (Q2 Financial Control Framework, Fraud; IT General Controls)
- Internal audit – interim update, including retail audit, and external quality assessment with PwC in attendance
- Non-audit fees

Activities post financial year

March 2022

- Review of year-end Financial Statements and Report template; including accounting judgements, estimates methodology, tax and summary of COVID-19 grant and subsidiary audits.
- External audit-approval of remuneration, terms of engagement, non-audit fees and controls update
- Internal audit- approval of plan, audit committee quality evaluation
- Risk and controls – review of risk management process, approval of policy, update on financial control framework, speaking out reports and litigation review
- TCFD Disclosure draft
- Audit committee rolling agendas and terms of reference
- Assurance update and Group's reservation and customer management system update

April 2022

- 2021/2022 Annual report and accounts including strategic report, governance and consolidated accounts
- External audit – Year end audit report and non audit fees
- Internal audit – Internal audit report; terms of reference and R&M report
- Risk and controls – review of statements on risk management and tax controls
- Compliance report
- Green Bond allocation
- External committee evaluation
- TCFD report
- Meeting with auditors without executive team present

Nomination Committee Report

Adam Crozier
Chair, Nomination Committee

Membership of the Nomination Committee and meeting attendance

Name of director	Meetings attended and eligible to attend
Adam Crozier (Chair)	4/4
David Atkins	4/4
Kal Atwal	4/4
Horst Baier	4/4
Fumbi Chima	4/4
Frank Fiskers	4/4
Richard Gillingwater	4/4
Chris Kennedy	4/4

This year, we are pleased to welcome Hemant Patel to the Board as Chief Financial Officer. In addition to this, we approved a new Board Diversity Policy in January 2022, which cements our commitment to a diverse Board.

Role of the Committee

The role of the Nomination Committee is to review the Board composition and to plan for its refreshment as applicable. The Committee is also responsible for evaluating the directors on an annual basis, striving for a balance of skills, knowledge, independence, experience and diverse representation to allow for it to operate effectively, and ensuring there is no undue reliance on any one individual.

Responsibilities of the Committee

The Committee has specific responsibilities on behalf of the Board and these are detailed below:

- to regularly review the structure, size and composition of the Board (including balance of skills, independence and diversity), and make recommendations to the Board;
- to consider succession planning for the Board and to determine the skills and experience required for future Board appointments;
- to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge, experience and diversity required prior to making an appointment to the Board and, on the basis of this evaluation, to prepare a role description outlining the capabilities required for a particular appointment;
- to keep the leadership needs of the Company under review, both for executive and non-executive directors with a view to ensuring the continued ability of the Company to effectively compete;
- to keep up to date with strategic issues and commercial changes affecting the Company and the market in which it operates;
- to ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out the time commitment in respect of the role;
- to annually review the time required from non-executive directors and to ensure that a performance evaluation is undertaken to determine if non-executive directors are spending sufficient time to fulfil their duties;
- for the appointment of a Chairman, to prepare a job description including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes reported to the Board as they arise; and
- to review the results of the annual Board evaluation that relate to the composition of the Board.

Board Diversity Policy

Our new Board Diversity Policy was published in 2021. In summary, it recognises the significance of Board diversity, including gender and ethnicity, and sets out our commitments. These include:

- At least 33% female representation on the Board; and
- Representation from ethnic minorities on the Board.

The policy also sets out plans for the monitoring and reporting of our work to meet these commitments and recognises that there may be points in time when we temporarily fall short of the targets set.

The full policy can be found on our website at www.whitbread.co.uk/governance/reports-policies/

Female representation

We have strong female representation at Whitbread. 65% of our total workforce is female, along with 41% of our leaders. We are proud to be one of only eight FTSE 100 companies to be led by a female Chief Executive. Whitbread was recognised in the FTSE Women Leaders Review 2022, in the top ten for our female leadership representation.

In addition, we monitor and publish our Gender Pay Gap report every year. There are still areas we can improve – you can read our latest Gender Pay Gap report, which includes our action plan, on our website www.whitbread.co.uk/governance/reports-policies.

Ethnic representation

Across the organisation, 13% of our teams identify as Black, Asian, or Mixed Ethnic, and we are proud to represent the diverse communities we serve. Within our leadership population, we are making progress against our 8% representation target by the end of 2023, as 5% of our leaders are Black, Asian or Mixed Ethnic. In addition, we are proud to have been recognised as one of 42 companies that exceeded the '1 by 21' target in the Parker Review Report 2022.

In the last 12 months, we have also internally published our first ethnicity pay gap report, sharing our findings with our teams along with our race action plan. Representation at a senior level continues to be a key action, and we recognise that, whilst we are making progress, we still have more to do. There is more detail on our Diversity and Inclusion commitments in the Opportunity section on page 41.

Succession planning

The Chairman leads the Committee in annually evaluating the balance of skills, experience, independence, and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment. A matrix of the skills and competencies of the current Board is mapped against the skills and competencies the Committee believes will be required in the future. Additionally, a review of the current talent market for key roles such as Chief Executive and Chief Financial Officer is conducted and refreshed regularly. This process helps the Committee ensure a robust succession plan and development of a diverse pipeline in line with the Board's policies and Diversity and Inclusion commitments.

Last year, we committed to our focus on expanding the Board's experience into consumer marketing and technology with the appointment of Fumbi Chima and Kal Atwal in March 2021. They have provided the Board with immense value and a vital mix of skills, especially in the technology sector, digital transformation, marketing and general management.

This year, our attention moved to appointing our new Chief Financial Officer following the resignation of Nicholas Cadbury. Further information on the Committee's process of appointing our new executive director, Hemant Patel, can be found on the next page.

As part of our annual talent cycle, we review the long-term succession plan for our Executive Committee and its direct reports as standard. The Committee recognises the importance of reviewing the internal succession strength and ensuring robust emergency and medium-term succession plans are in place. We also value deep dive talent reviews into the critical capabilities of the Executive Committee and senior leadership team. This review includes both the UK and Germany.

Main activities during the year

In 2021/22, the Nomination Committee's main activities included the following:

- Reviewing Whitbread's internal talent succession and the talent market for executive director roles.
- Refreshing market mapping for talent
- Board and Executive Committee succession planning
- The appointment of Hemant Patel as Chief Financial Officer, including agreeing his induction into his new role
- Deep dive talent review into Whitbread's critical capabilities,
- Review of retention of talent by function and level for both the UK and Germany

Our approach to the annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next AGM. During the year, I completed the individual performance review of each non-executive director in respect of their contribution and time commitment to the Company. All directors are proposed for reappointment at this year's AGM.

Details setting out why each director is deemed to be suitable for reappointment, and how their contribution continues to be important to the Company's long-term success, will be included with the AGM papers circulated to all shareholders.

Adam Crozier
Chair, Nomination Committee
27 April 2022

Nomination Committee Report continued

Executive director succession

Taking account of the Committee's active year, we have outlined below the process for recruiting, appointing, and inducting our new Chief Financial Officer, Hemant Patel.

STAGE 1

- Resignation of Group Finance Director, Nicholas Cadbury.
- The Committee worked together to design and agree the role specification for the Chief Financial Officer. This included considering the skills and experience required and ensuring candidates fit with our culture at Whitbread.
- Along with the role specification, a timetable was created to ensure a smooth transition for the business as a whole as well as the Board and executive team. These were passed over to our appointed executive search agency, Spencer Stuart.

STAGE 2

- Following a review of the specification and an update to the market mapping for the role, Spencer Stuart presented a list of external and internal candidates.
- The Committee identified a shortlist of candidates.

STAGE 3

- A separate committee was created, consisting of non-executive directors and executive directors to interview the candidates in a two-stage process.
- The candidates were assessed against the role specification and pre-determined criteria of knowledge and skills.

STAGE 4

- The results of the interview process were reviewed by the Committee.
- The successful candidate, Hemant Patel, was then recommended for appointment to the Board as Chief Financial Officer.

STAGE 5

- The Board approved the appointment.
- The final stage of the process was for the Committee to ensure a robust induction and development plan was put in place to ensure and boost Hemant's success in his new role. Details of this induction can be found to the left.

INDUCTION

As a result of Hemant being internally promoted to the role, the induction process was tailored to build upon his knowledge and understanding of the business, Whitbread's strategic priorities and the role of the Board. Listed below is some of the activities included in his induction:

- Introduction to the Board and non-executive directors.
- Meeting the external auditor, Deloitte, PwC as remuneration consultants and investment advisors
- Shadowing Nicholas Cadbury, former Group Finance Director
- Sessions to meet and understand the work of the teams within the Finance department.

Remuneration Committee Report

Frank Fiskers
Chair, Remuneration Committee

We entered the 2021/22 financial year with optimism for a brighter future, with the UK Government's roadmap for the reopening of society in place and hope that we would be able to operate close to normality for much of the year. The situation was similar in Germany. There have clearly been some hurdles to overcome, most notably the emergence of the new Omicron variant just before Christmas. On the whole, operating conditions, whilst remaining challenging, were much improved on the year before.

Whitbread has delivered an excellent performance in the context of this challenging backdrop. We set targets at the start of the year to significantly outperform our competitors, and this has been achieved. We have also returned to profitability in the latter part of the year, which is ahead of where we thought we might be. This really is a testament to the fantastic job that people right across the organisation have done, led by our high-performing management team.

In the light of such an excellent performance by the team, it is not surprising that the targets we set at the beginning of the year have been significantly exceeded. As a result, payouts under the Annual Incentive Scheme for the 2021/22 financial year on a formulaic basis are at the top end of the range. The Remuneration Committee has given careful thought as to whether payouts at this level are appropriate or whether this formulaic outcome should be adjusted. In making this assessment, the Committee considered the experience over the year for a range of stakeholders (see page 90 for further details). Whilst the experience for stakeholders has been good, for the first three months of the year, the Company took advantage of the Government's Job Retention Scheme. As a result, we concluded that, despite the overall excellent performance, it was appropriate to reduce the opportunity, and therefore the payouts, by 25% under the Annual Incentive Scheme. More details are provided on page 88 under 2021/22 annual incentives.

Updated remuneration policy

The current remuneration policy was approved by shareholders at a general meeting in December 2019 and, as such, we will be seeking shareholder approval for a new updated policy at the AGM in June this year. At the end of 2021, I conducted an extensive consultation exercise with major shareholders, to seek views on the current structure of our remuneration schemes.

After a detailed review, carefully taking into account the views of shareholders in the consultation process, the Remuneration Committee continues to believe that the overall structure of our remuneration schemes is appropriate for Whitbread at this time, and is the best way of aligning the interests of management with shareholders and other stakeholders. As a result, the proposed policy is largely unchanged from the one approved in 2019. We do, however, intend to reduce the executive directors' pension contribution to 10% of salary with effect from 31 December 2022 so as to align to the wider workforce. We also plan to introduce greater flexibility in the selection of financial metrics included in the Annual Incentive Scheme, to ensure that we can set the most appropriate and relevant targets each year.

After listening to feedback from shareholders on our proposals, we have made two changes to the Annual Incentive Scheme: firstly, we will ensure that at least 60% of future years' incentives will be based on financial metrics (original proposal was 50%); and secondly, we intend that profit will be the predominant financial metric. I would like to thank shareholders for engaging with us as we developed the revised policy and I would ask for your support for the resolution approving the policy at the AGM in June.

Remuneration Committee Report continued

2020/21 annual incentives

As I explained in my report last year, although it had been clear from early in the 2020/21 year that the profit element could not be achieved, performance against the other elements was strong. Whilst we were confident that the 2020/21 incentive outcome fairly reflected the year's strong performance, we agreed to make no payment at that time, but rather to carry over the incentive earned subject to an underpin. This approach allowed us to conserve cash, while providing a direct incentive for the recovery of the business from the pandemic and a retention mechanic at a time when the executives had very little retention coming from long-term incentive plans. It was, therefore, aligned with the interests of shareholders.

The underpin on this deferred element required satisfactory performance to be delivered on at least 50% of each executive's strategic objectives set for the 2021/22 financial year.

As explained above, Whitbread has performed exceptionally well in challenging external circumstances this year and this is reflected in the outcomes of the executives' strategic objectives. The outcomes for Alison Brittain and Louise Smalley are 84.0% and 84.6% respectively and are clearly itemised on pages 104 and 105. These outcomes are well above the 50% threshold and the Committee has confirmed that the criteria set for the release of the 2020/21 carried-over incentive have been met in full.

As the underpin has been met, the incentive would ordinarily be payable based on the structure and conditions we set in 2021 and explained to shareholders at that time. However, whilst the Committee believes management has performed exceptionally well during the last two years and all performance requirements have been fully delivered, Alison Brittain, Louise Smalley and the Committee have jointly come to the decision that Alison and Louise will not receive these incentive payments. Instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees.

Although no payment will be made, the Committee remains of the view that the approach taken last year served a useful purpose in creating an appropriate structure at a time of significant uncertainty in the business and the wider economy, and balanced this against investors' guidance at the time.

Nicholas Cadbury is not entitled to receive any carried-over payment, having left the Company before the award would have been made.

2021/22 annual incentives

The incentive for 2021/22 was based on a combination of profit, efficiency savings and strategic objectives. As I explained in my letter last year, the Committee took a different approach to setting the profit target given the significant restrictions in the hospitality sector and the uncertain outlook at the time the targets were set. In particular, we decided to focus the executives on delivering strong profit conversion and strong sales growth relative to the market.

When calculating the outcome of the profit conversion element, the Committee reviewed the need for potential adjustments. The targets were set based on an assumed level of Government support and, during the course of the year, additional Government support, i.e. support which was not included in the original targets, was utilised. Therefore, to ensure we were making a like-for-like assessment of performance vs targets set at the start of the year, the target was increased by £80m, which was the amount of additional Government support received. This ensures that executives' incentive outcomes do not benefit from any unanticipated support received.

Full details of the outcome against all performance measures is included on page 91.

The Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. The Committee is comfortable that the formulaic outcome, after discounting the additional Government support, of 95.2% for the Chief Executive, fully reflects management's strong performance against targets for the year.

Whilst the wider stakeholder experience, which is shown in the table on page 90, has been good, the Committee is cognisant of the views expressed to us by shareholders and investor bodies.

Accordingly, we have decided to make a further discretionary reduction. In order to reflect the Company's use of the CJRS for just under three months (25% of the year) during this financial year, we have reduced the overall incentive by 25%. This results in a total award for the CEO of 71.4%, of which half will be deferred and paid in shares as usual.

Annual general meeting

At the 2021 AGM, whilst the majority of shareholders supported the resolution to approve the 2020/21 remuneration report, a significant minority did not. We have consulted with major shareholders during the year and we concluded that the main reasons for the lack of support from some shareholders related to the annual incentive being awarded in respect of 2020/21, albeit it was carried over until 2021/22 subject to the achievement of certain objectives.

The Committee remains of the view this was the right decision to have taken at the time due to outstanding performance which has continued into year two of the recovery plan, much benefiting shareholders. It was the optimum way of incentivising the recovery of the business from the pandemic, and provided an element of retention at a time when long-term incentives were not available. However, we believe that the joint decision by Alison Brittain, Louise Smalley and the Committee, for Alison and Louise not to receive an incentive payment has addressed the issue in full.

Together with my colleagues on the Remuneration Committee, I very much hope that shareholders will support both the new remuneration policy and this remuneration report at the 2022 AGM.

Group Finance Director/Chief Financial Officer

As announced previously, our Group Finance Director, Nicholas Cadbury, stepped down from the Board when he left the Company on 20 March 2022. As announced at the point of his departure, the treatment of his remuneration was fully in accordance with the approved policy (see page 108 for further information).

Hemant Patel was appointed as Chief Financial Officer with effect from 21 March 2022. His remuneration details are included on page 91 and all elements are in line with the approved policy.

The wider organisation

This report is necessarily focused on executive remuneration, but the Committee is very cognisant of the need to consider remuneration structures across the workforce when taking decisions on executive pay. It was pleasing that we were able to give all UK-based hourly paid team members a mid-year pay increase which was in addition to last April's increase. It meant that all of our pay rates were ahead of the National Minimum Wage and National Living Wage, with all hourly pay rates increasing by at least 7.8% over the year. The additional increase was to thank our teams for helping stand the business back up following the closure of most of its estate during lockdown and as a result of the strong summer demand seen across the hotel market, in addition to helping to attract new talent. Our hourly-paid team members also received two bonuses in the year: a special recognition payment in May and a summer retention award. This year's salary review for executives will be in line with the review across the organisation.

The year ahead

I explained in last year's report that, recognising that there remained significant uncertainty because of the unpredictable external environment, the Committee had decided to take a different approach by setting a sales-adjusted profit target for the 2021/22 annual incentive. At the time, the Committee expected to revert to the usual approach for the 2022/23 annual incentive and, whilst some uncertainty remains, a fixed profit target has been set.

Alison Brittain's strategic growth objectives for the 2021/22 annual incentive included a number of ESG-specific objectives, further details of which are shown on pages 104 and 105. The Committee recognises the growing importance of ESG issues and it was clear from the shareholder consultation that there is a desire from a broad collection of shareholders to include ESG measures as part of executive remuneration. It has been decided to include a 10% allocation to ESG, split between Force for Good and customer metrics, and further details are included on page 110.

In summary, the performance measures for the 2022/23 annual incentive are: profit (50%), efficiency savings (20%); strategic growth objectives (20%); and ESG (10%).

Recognising that there does remain some external uncertainty, we have elected to retain the same underpins for the Restricted Share Plan 2022 award as used for the 2021 award, being: a balanced overall assessment of performance and delivery against strategic priorities; and a cumulative cost efficiency saving. It is the Committee's intention to return to the type of underpins which we originally used when the Restricted Share Plan was developed, and this is likely to be from 2023 onwards.

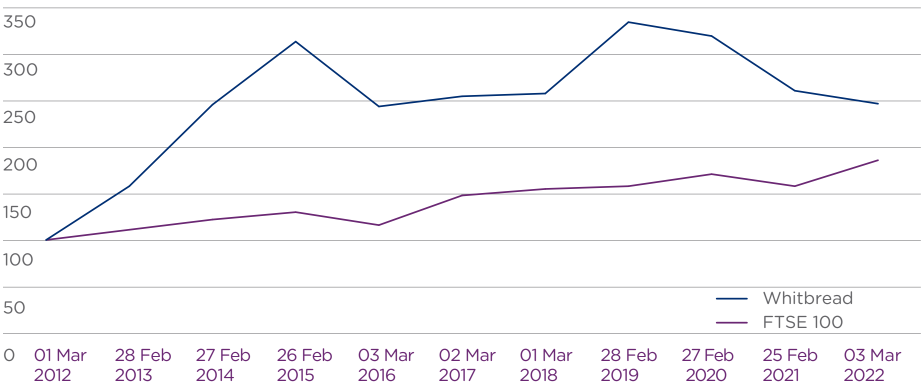
I look forward to meeting some of you at our AGM in June and will be happy to answer any questions you might have on our revised remuneration policy or on the application of the current policy.

Frank Fiskers
Chair, Remuneration Committee
27 April 2022

REMUNERATION AT A GLANCE

Business performance

Total shareholder return



Source: Datastream from Refinitiv

Financial measures

£40m

Efficiency savings

+25%

Sales growth vs the market

The chart looks at the value over ten years of £100 invested in Whitbread PLC on 1 March 2012 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE.

Stakeholder experience in 2021/22

Employees

- Team members received special recognition payments in May 2021 to reward them for their effort and contribution during 2020/21
- A retention bonus for our hourly paid team members who stayed with us over the busy summer period
- A mid-year additional pay increase for our operational team members, with minimum pay rates increased by 5%
- Enhanced sick pay for COVID-related absence
- Over 8,000 jobs created
- Investment in diversity & inclusion training and strong progress against leadership diversity targets
- 1,086 team members started apprenticeships during 2021/22 and 95% of learners continued their apprenticeships while we were still not fully reopened

Investors

- Dividend of 34.7p per share
- Significant market outperformance in the UK, with Premier Inn total accommodation sales 14.8% ahead of the midscale and economy market
- Expansion continuing at pace in Germany with 35 open hotels and 41 in the pipeline, with accommodation sales 189.7% ahead of 2019/20

Executives

- 2020/21 incentive performance requirements fully delivered, but will not be received
- 2021/22 incentive reduced by 25% to reflect the use of the CJRS for the first three months of our financial year

Customers

- Significant investment in our CleanProtect promise, our rigorous daily cleaning regime to help protect guests
- Added additional room rate classes to give more flexibility during the increased uncertainty, following the increased guest refunds at the start of the pandemic
- c.1,650 Premier Plus rooms rolled out
- Introduced a twin room solution to give customers greater choice
- Significantly enhanced our food offer and improved our core drinks offer

Suppliers

- Supported supplier cash flow with temporary extension of payment terms on large value orders and fast-tracking of supplier invoicing queries
- Introduced a committed buy process, giving additional contractual security on long-haul and campaign products
- Used our UK logistics network to support suppliers with deliveries during driver and transport shortages
- Appointed a third party to support suppliers with post-Brexit customs processes
- Maintained responsible sourcing programme despite COVID challenges

Communities

- Raised £1.7m for Great Ormond Street Hospital Children's Charity (GOSH Charity), resulting in a total of £20m since the start of our partnership, which has supported the development of the Sight and Sound Centre which is now fully open
- Decision taken that all new build construction will be industry-leading BREEAM Excellent standard

Joint venture partners

- Additional financial support agreed for Pure due to COVID impact on the business

Landlords

- All rent paid in full, in contrast to competitors

Environment

- Net Zero target brought forward by ten years to 2040 and accelerated interim target agreed to 2030
- Scope 3 targets set and commitment given to be SBTi accredited
- Food waste: over 500,000 meals donated to FareShare
- Force for Good rolled out in Germany

Details of how the Board considers the interests of the Group's employees and other stakeholders is contained on pages 50 to 54.

Incentive outcomes for 2021/22

The table below sets out the outcome under the 2021/22 annual incentive. As outlined on page 88, a reduction has been applied to the formulaic outcome to reflect the Company's use of the CJRS for three months during 2021/22. The total incentive earned is as follows:

Measure		Threshold	Target	Max	Weighting (% of maximum)	Outcome achieved: Alison Brittain	Outcome achieved: Louise Smalley[1]
Profit performance	Sales growth vs market measure	Actual: +25%			25%	25%	25%
		-1%	0%	+2.25%			
	Profit conversion measure	Actual: (£16m)			25%	25%	25%
		(£64m)	(£44m)	(£24m)			
Efficiency savings		Actual: £40m			20%	20%	20%
		£20m	£25m	£30m			
Strategic growth objectives		Details of performance are set out on pages 104 and 105			30%	25.2%	25.39%
Formulaic outcome (% of maximum)						95.20%	95.39%
Outcome after discretionary reduction in bonus opportunity (% of maximum)						71.40%	71.54%
Adjusted total outcome (% of salary)						121.38%	60.81%
Actual annual bonus (£'000)						1,086	244

1 Louise Smalley retired from the Company and stepped down from the Board on 31 August 2021. The bonus outcome has been pro-rated to reflect the part of the year during which Louise served on the Board.

As usual, 50% of the total annual incentive achieved will be deferred and paid in shares which will vest after three years.

2021/22 LTIP outcome

There were no LTIP awards due to vest during 2021/22. The first awards made under the Restricted Share Plan ("RSP") will vest in 2023, subject to the achievement of the two performance underpins.

Implementation of the remuneration policy for 2022/23

Base salary

Alison Brittain will receive a salary increase in May 2022 in line with the general increases in pay for salaried employees across the organisation. Hemant Patel, having recently been appointed, will not be entitled to a salary increase in May.

	Salary at 1 May 2022 (£000's)	Salary at 1 May 2021 (£000's)	% increase
Alison Brittain	921	895	3%
Hemant Patel	515	N/A	N/A

Pension

Alison Brittain's pension contribution will reduce to 10% effective from 31 December 2022, at which point it will be aligned with the rate available to the majority of the wider workforce. On appointment, Hemant Patel's rate was set at 10%.

	Pension contribution rate from 31 December 2022 (% of base salary)	Pension contribution rate from May 2022 (% of base salary)	Pension contribution rate from May 2021 (% of base salary)
Alison Brittain	10%	15%	18%
Hemant Patel	10%	10%	N/A

Annual Incentive Scheme

The maximum bonus for 2022/23 for the current executive directors will be 170% of base salary, with awards payable based on the following measures:

Financial alignment: 70%		Strategic alignment: 30%	
Profit performance: 50%	Efficiency: 20%	Strategic growth: 20%	ESG: 10%

Restricted Share Plan

Awards are based on 125% of salary for Alison Brittain and 110% of salary for Hemant Patel, and are expected to vest in 2025, after which they will be subject to a two-year holding period. The awards are subject to the following underpins:

Balanced overall assessment of performance and delivery against strategic priorities	Cumulative cost efficiency saving of £60m over the three-year performance period

DIRECTORS' REMUNERATION POLICY

Introduction
This report outlines the Company's directors' remuneration policy (the 'Policy'), which shareholders will be asked to approve at the annual general meeting to be held on 15 June 2022. Subject to shareholder approval, the Policy will be effective from the date of the 2022 AGM and is intended to apply for three years.

For executive directors, our approach continues to be designed so as to:

- align with the business strategy and the achievement of planned business goals;
- support the creation of sustainable long-term shareholder value;

Future policy table

Element	Purpose and link to strategy	Operation
Base salary	› Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: › the salary review across the Group; › trading circumstances; › personal performance, including against agreed objectives; and › market data for an appropriate comparator group of companies.
Benefits	› Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executive directors.	› Executive directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance. › In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, reimbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.
Annual Incentive Scheme (AIS)	› To provide a direct link between annual performance and reward. › To incentivise the achievement of outstanding results across appropriate key stakeholder measures. › To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	› Targets for measures are normally set at the beginning of the financial year. › Cash awards paid following the end of the financial year. › Deferred share awards normally vest after three years, subject to continued employment. › Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards as set out below.
Restricted Share Plan (RSP)	› To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches. › To promote long-term value creation rather than focusing on specific targets at a time when the executive directors need to balance investment and growth. › To retain executive directors throughout an important time for the business to deliver the growth strategy.	› Awards normally vest after a period of at least three years, subject to two or more performance underpins and continued employment. › After vesting, there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years. › Subject to clawback and malus provisions as set out below. › Dividend equivalents may be provided on vested awards during a holding period.

- provide an appropriate balance between remuneration elements that attract, retain and motivate the highest calibre of executive talent; and encourage a high-performance culture by ensuring share–based remuneration constitutes a substantial proportion of the remuneration package and by linking maximum payout opportunity to outstanding results.

Whitbread is an international-focused hotel business and our approach is also designed to enable the Company's long-term objective of expansion and growth in both the UK and Germany.

The policy table below provides more detail on each key element of remuneration for executive and non-executive directors, including the maximum potential value of each element, a brief summary of how it works and details of any performance metrics.

Maximum potential value	Performance metrics
› Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. › On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and where the Committee judges that there is a risk in relation to attracting or retaining executive directors.	› None.
› We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	› None.
› Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards). › The maximum bonus for 2022/23 for the current executive directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.	› Awards are payable based on a mix of financial metrics and other business objectives. Financial metrics will represent no less than 60% of the total award for each year, of which the predominant amount is intended to be profit. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on-target performance and the full incentive payment being paid for delivering stretch performance. › These vesting levels may vary from year to year. › The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.
› Annual awards to a maximum of 125% of base salary in respect of each financial year. › The grant for 2022/23 for the current executive directors will be 125% of base salary for the CEO and 110% of base salary for the CFO. Any increase beyond this level for the CFO will only be applied in exceptional circumstances and will be at the discretion of the Committee.	› Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR. › If one or more of the underpins is not met, then a portion of the award up to or equal to the weighting of that measure(s) will lapse, subject to the overall discretion set out below. › It is anticipated that all performance underpins will be equally weighted, although the Committee retains the discretion to adjust the weighting of any underpins each year. › The Committee will select the underpins each year in order to align with the Company's strategy and these will normally be disclosed at or around the time of grant, in the DRR. At least one underpin will be based on an objective financial metric. › In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

Directors' Remuneration Policy continued

Future policy table

Element	Purpose and link to strategy	Operation
Sharesave scheme	› To encourage long-term shareholding in the Company.	› Annual invitation to all employees, including the executive directors. › Option price calculated by reference to the market price discounted by 20% on the invitation date. › Options granted subject to participant agreeing to save over a three- and/or five-year period. › In the event an employee working in Germany is made an executive director, they will be eligible to participate in the International Sharesave scheme (which is aligned with the scheme for UK-based employees).
Pension	› Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	› Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). › Defined contribution scheme. › Can elect for cash in lieu of pension contributions.
Chairman and non-executive director fees	› To attract and retain a Chairman and non-executive directors of the highest calibre.	› The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other Board committee as may be constituted from time to time. › The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.

Maximum potential value	Performance metrics
› Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	› None.
› The current contribution rate is 15% of base salary (as of 1 May 2022) for incumbent executive directors. This will reduce to 10% of base salary effective from 31 December 2022, which is aligned with the rate available to the majority of the wider workforce. › For any new appointment, the contribution will be up to a maximum of 10% of salary (although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce).	› None.
› The fees are reviewed annually by the Board (excluding the non-executive directors), taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies. › Non-executive director fees must remain within the aggregate limit approved by shareholders from time to time. The current aggregate limit is £700,000 (excluding the Chairman's fee and additional fees, such as for committee membership).	› None.

Directors' Remuneration Policy continued

Share-based awards under the AIS and RSP may:

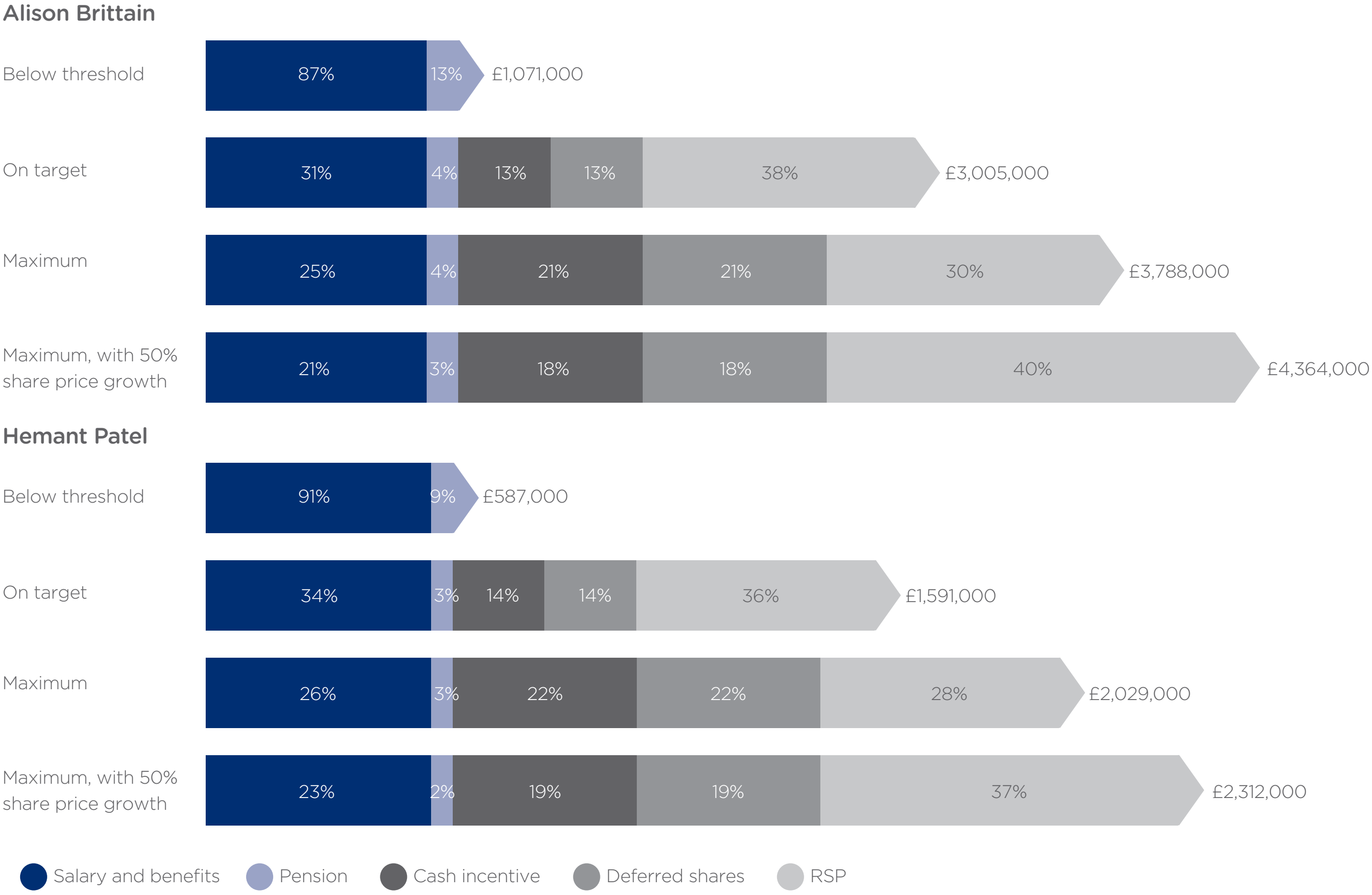
a) be delivered as nil-cost options, forfeitable shares, conditional share awards or equivalent cash-settled instruments; and

b) be adjusted in the event of any variation of the Company's share capital or in any other circumstances the Committee considers it appropriate.

Illustration of application of remuneration policy

The graphs below show how the Policy will be applied in 2022/23, with details of expected remuneration levels for each director for below threshold performance, for on-target performance and for maximum performance.

Executive directors – potential value of 2022/23 package



The table below sets out the assumptions used in the above scenario charts:

Below threshold	On target	Maximum
› Only the fixed pay elements are received (base salary, benefits and pension). › Salary reflects what will be paid in 2022/23. For the CEO this means the salary has been pro-rated to reflect the increase from 1 May 2022. The CFO's salary was set on appointment and will not increase from 1 May 2022. › Benefits are included at the value in the 2021/22 single figure table. As the incumbent CFO was not on the Board during 2021/22, we have taken the outgoing CFO's benefits for 2021/22 as a representative figure. › The CEO's pension is calculated based on the change in contribution rates as outlined on page 100. The CFO's pension is 10% of salary.	› Fixed pay elements plus target annual bonus and RSP. › Incentives are based on salaries at 1 May 2022. › On target pay for the annual incentive award has been included at 50% of the maximum award (170% for each director). › On target pay for the RSP has been included at 100% of the 2022/23 maximum award (125% of salary for the CEO and 110% of salary for the CFO).	› Fixed pay elements plus maximum annual incentive award and RSP, with values as set out to the left. › An additional scenario sets out the value of the RSP assuming a 50% increase in share price between grant and vesting.

Performance measures
With the exception of base salary, benefits, pension and participation in the Sharesave scheme, all other elements of the remuneration packages of the executive directors are linked to performance.

The RSP is subject to performance underpins, which, if not met, may cause an award to be reduced. The RSP was introduced to enable the growth strategy in both the UK and Germany, to support shareholder alignment through direct exposure to share price and to retain executive directors throughout an important time for the business to deliver the growth. The underpins each year are set taking into account the business plan and the Group's strategy so as to protect against a payment for failure.

The performance measures and targets for the Annual Incentive Scheme are selected annually to align with the business strategy. Targets for measures are normally set at the beginning of the financial year.

There are a number of types of measure used to determine the level of awards under the scheme. There are financial and other business measures and some strategic growth objectives. The growth objectives will be quantitative measures linked to individual responsibilities in the context of our strategic objectives and will be reviewed in advance by the Committee. Targets are set taking into account the business plan.

Malus and clawback
Malus and clawback provisions apply to the RSP for the duration of the vesting period and for two years following vesting respectively, which can result in a reduction of the award (including to zero). Malus and clawback provisions apply to the deferred annual bonus and cash portion of the bonus respectively for the duration of three years from the date of the award (or, if earlier, in the case of a deferred share award, the date of vesting).

Malus and clawback can be triggered where, in the opinion of the Committee, there are exceptional circumstances including: (i) a material misstatement of results; (ii) misconduct on the part of the participant; (iii) where the participant is deemed to have caused a material loss for the Company and/or the Group as a result of (a) reckless, negligent or wilful actions or (b) inappropriate values or behaviour; (iv) where there has been an event that has caused, or is likely to cause, material reputational damage to the Group; (v) an error in assessing the performance conditions or underpin that results in the award vesting/bonus being awarded to a greater degree than would have been the case had that error not occurred; or (vi) insolvency or corporate failure.

For awards already granted, malus and clawback provisions as in place at the time of that grant will continue to apply.

Shareholding requirements
The Chief Executive is required to build and hold a shareholding at least equal to the value of 300% of salary, and the Chief Financial Officer is expected to reach a holding equal to the value of 200% of salary. Until they reach this level, executive directors are expected to retain 100% of vested awards (after the deduction of income tax, national insurance contributions and dealing fees). In addition, a newly appointed executive director is expected to build a shareholding in the Company during the vesting of any share awards. The failure to adhere to these requirements may lead to the executive director being excluded from participation in future share plan awards.

Shares held outright (including by a connected person) count towards the shareholding requirement. In addition, any vested but unexercised options, deferred bonus shares or vested Long Term Incentive Plan (LTIP) or RSP share awards subject to a holding period count towards the shareholding requirement on a notional net of tax basis. Any awards still subject to performance conditions, including awards subject to a performance underpin under the RSP, cannot count towards a shareholding requirement.

Additionally, executive directors will continue to have shareholding requirements post-cessation. It is a term of grant of all deferred bonus and RSP awards granted since December 2019 that the award cannot be exercised if an individual is not, at that point in time, meeting their post-cessation shareholding requirement.

The post-cessation shareholding requirements have been set at:

- 100% of the normal shareholding requirement for the first year post-cessation of employment;
- 50% for the second year post-cessation of employment; and
- 25% for the third year post-cessation of employment.

In cases where the individual has not had sufficient time to build up shares to meet the above levels, the requirement is set at the individual's actual level of shareholding at cessation of employment. The Committee retains the flexibility to waive the post-cessation shareholding requirements in certain exceptional circumstances.

The Committee recognises that it will be unable to enforce the post-cessation shareholding requirement by restricting the sale of shares vesting under share awards where the awards had already been granted to the executive directors prior to December 2019, as no such conditions were part of these awards when granted and the Committee believes it is inappropriate to retrospectively amend these. The Committee has therefore decided to establish transitional arrangements for the executive directors as at December 2019 whereby post-cessation shareholding requirements will build as future awards vest. Any newly appointed executive directors will be subject, in full, to the post-cessation shareholding requirement.

Changes to the Policy in 2022/23
The principal change to the proposed policy vs that approved by shareholders at the 2019 general meeting is the reduction of executive directors' pension allowance to 10% in line with the level available to the wider workforce. Other changes are minor drafting amendments.

Service contracts and external appointments
The key terms of the executive directors' service contracts are as follows:

- notice period — six months by the director and 12 months by the Company;
- termination payment — see policy on payment for loss of office below;
- sickness — full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete — for six months after leaving or being put on garden leave.

Directors' Remuneration Policy continued

The dates of the executive directors' service contracts are as follows:

Alison Brittain	21 May 2015
Hemant Patel	26 January 2022

Executive directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours and on the Company's website at www.whitbread.co.uk. The executive directors are entitled to retain fees from external directorships.

The effective dates of the letters of appointment of the Chairman and the non-executive directors are as follows:

Adam Crozier	1 March 2018
David Atkins	1 January 2017
Kal Atwal	1 March 2021
Horst Baier	1 November 2019
Fumbi Chima	1 March 2021
Frank Fiskers	1 February 2019
Richard Gillingwater	27 June 2018
Chris Kennedy	1 March 2016

The Chairman and non-executive directors were each appointed for an initial three-year term and are subject to annual re-election at the AGM.

Policy on payment for loss of office

Base salary and contractual benefits

All of the executive directors have a rolling service contract with a 12-month notice period from the Company. The Company may make a payment in lieu of notice to include up to 12 monthly payments of base salary and the cash equivalent of pension contributions. The Company may also either allow for contractual benefits to continue during this time or, at its sole discretion, pay the value of those benefits on a monthly basis. Neither notice nor payment in lieu of notice would be given if an executive director is summarily dismissed for reason of gross misconduct.

An executive director is under a contractual duty to mitigate his or her position by actively seeking an alternative remunerated position and the Company will make a corresponding reduction in any payment in lieu of notice. Where a payment in lieu of notice is not applicable, the payment of salary and contractual benefits would cease on the individual's leaving date.

The Committee reserves the right to make any other payments in connection with a director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/ or the director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

Annual Incentive Scheme

If an executive director leaves the Company for a 'permitted reason' under the rules of the scheme (redundancy, death, the sale of his or her employing company or business out of the Group, injury, ill-health or disability, or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined later in the 'Remuneration Committee discretion' section of this Policy), the default position would be that unvested deferred share awards would vest on the date of leaving and a time pro-rated cash award would be made for the incentive year in which cessation of employment occurs. No new deferred share awards would be granted in respect of any Annual Incentive Scheme award made after the executive director leaves the Company, and the executive director would receive a time pro-rated cash payment in lieu of the deferred share awards. Notwithstanding the above, the Committee has the discretion to make a deferred share award for the incentive year in which cessation of employment occurs, with any such award due to vest at the same time as the awards made to continuing employees for that year and for unvested deferred bonus awards to vest as if the executive director had not left the Company.

If an executive director leaves the Company for any other reason, 25% of an outstanding deferred share award would vest if the leaving date was between one and two years from the date of grant and 50% of an outstanding deferred share award would vest if the leaving date was between two and three years from the date of grant. Any other unvested deferred share awards would lapse on the date of leaving. The executive director would receive no cash incentive payment for the financial year in which they leave, and no deferred share awards would be awarded.

In the event that an executive director was to leave the Company by reason of gross misconduct, or in circumstances in which the reputation of the Company is materially damaged, the malus provisions may be applied, in which case, no deferred shares would vest.

In the event of a change of control of the Company, deferred bonus awards will normally vest at that point unless the Committee determines otherwise, e.g. a replacement award is granted by the acquiring company. For in year schemes, no new deferred share awards would be granted, and the executive director would normally receive a pro-rated cash payment in lieu of the deferred share awards, assuming that the performance metrics had been fully satisfied.

Restricted Share Plan

If an executive director leaves the Company for a 'permitted reason' under the rules of the plan (redundancy, death, the sale of his or her employing company or business out of the Group, injury, ill-health or disability, or if the Committee decides to apply 'good leaver' status in accordance with the discretion outlined in the 'Remuneration Committee discretion' section of this Policy), the default position would be that any unvested RSP awards would be pro-rated for time served (over the relevant underpin vesting period) unless the Committee determines otherwise. The extent to which unvested RSP awards vest would be determined by the Committee taking into account the performance underpins, the underlying financial performance of the Company and any other factors the Committee considers appropriate, and the awards would normally vest at the original vesting date, unless the Committee determines otherwise. If the participant died, awards will normally be allowed to vest (subject to the factors set out above) on the date of death.

If an executive director leaves the Company for any other reason, any unvested RSP awards would lapse at the date of leaving.

Vested, but unexercised, RSP awards (including those subject to a holding period) would normally be exercisable up to the later of six months from the date of leaving or six months from the end of the holding period. However, if the executive director is summarily dismissed for gross misconduct, the award would lapse.

In the event that an executive director was summarily dismissed for gross misconduct or was to leave the Company in circumstances in which the reputation of the Company is materially damaged, the Committee would consider the application of the clawback and/or malus provisions to which the awards were subject. In the event of a change of control of the Company, unvested RSP awards will typically vest to the extent determined by the Committee, taking into account (i) the Committee's assessment of the relevant performance underpins; (ii) the underlying financial performance of the Company; and (iii) such other factors as it considers relevant. RSP awards will (unless the Committee determines otherwise) be reduced on a time-apportioned basis, normally by reference to the proportion of the underpin measurement period (or if the Committee determines, the vesting period) that has elapsed. In determining whether an award should not be time pro-rated, the Committee will take into account: (i) the performance of the Company during the vesting period; (ii) the Company's share price performance during the vesting period; (iii) the amount of consideration from any buyer; and (iv) such other factors as it considers relevant.

Approach to remuneration on recruitment

Our approach to recruitment is that remuneration should be set in line with the policy table set out above. Whilst we would not seek to vary this approach, there may be circumstances in which it is necessary to do so.

On the appointment of a new executive director, base salary levels will be set taking into account a range of factors including experience and expertise, internal salaries, market levels and cost. If an individual is appointed on a base salary below the market positioning contingent on individual performance, the Committee may realign base salary over the one to three years following appointment, which may result in a higher than normal rate of annualised increase, with any such increase aligned to internal policies. If the Committee intends to do so, it will be noted in the first directors' remuneration report following an individual's appointment.

Other elements of annual remuneration will be set in line with the Policy set out in the policy table. As such, variable remuneration will be capped at 200% of salary under the Annual Incentive Scheme. If a new executive director is recruited, they can be granted an award under the RSP, the maximum opportunity of which will be 125% of salary. The following exceptions will apply:

- as deemed necessary and appropriate to secure an appointment, the Committee is able to make additional payments linked to relocation; and
- the Committee may also make an additional award of cash or shares in connection with the appointment of a new director in order to compensate for the forfeiture, or the loss of value in respect of all or part, of an award from a previous employer. Such awards would take account of the value, the performance conditionality of the awards which they replace, the proportion of the performance period remaining and the type of award. The Committee would take into account the strategy at Whitbread and may also require the appointee to purchase shares in Whitbread to a pre-agreed level prior to vesting.

Where an individual is recruited internally to the position of executive director, Whitbread will seek to honour any pre-existing contractual commitments, taking into account the remuneration of the existing executive directors.

Service contracts will be entered into on terms similar to those for the existing executive directors, summarised in the service contracts and external appointments section. However, if necessary, the Committee would authorise the payment of a relocation allowance and repatriation, as well as other associated international mobility terms or agree terms appropriate to the local market for an executive director based overseas.

With respect to the appointment of a new Chairman or non-executive director, the approach will be consistent with that currently adopted. Variable pay will not be considered and as such no maximum applies. With respect to non-executive directors, fees will be consistent with the Policy at the time of appointment. If necessary, to secure the appointment of a new Chairman not based in the UK, payments relating to relocation and/or housing could be considered.

A timely announcement with respect to any director appointment will be made to the regulatory news services and posted on Whitbread's website.

Comparison of executive remuneration policy with wider employee population

When reviewing the executive directors' remuneration policy, the Remuneration Committee takes into consideration the pay and employment conditions of all employees across the Group. For example, the principle change to the proposed policy versus that approved by shareholders at the 2019 General Meeting is the reduction of executive directors' pension allowance to 10% to align with the level available to the wider workforce. Further, Alison Brittain's salary increase for the upcoming year was set in line with the general increases in pay for salaried employees across the organisation.

This section of the Policy describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population.

Base salary

The base salaries of all employees, including the executive directors, are subject to annual review. Under normal circumstances, the annual increase in salary for an executive director will be in the same range as the increase for employees across the Group.

Benefits

Approximately 450 employees across the Group are entitled to a company car or cash in lieu of a company car. The scheme is structured so that the level of the allowance is on a sliding scale, with employees on higher grades receiving a larger allowance. The executive directors are no longer entitled to a company car under this scheme but are entitled to receive cash in lieu of a car.

Approximately 1,900 employees are entitled to participate in the Group's private healthcare scheme, with 630 of these, including the executive directors, entitled to family cover. In addition, a small number of senior executives, including the executive directors, are entitled to annual health screening.

All employees receive discounts on Company products, but the executive directors have waived their right to this benefit.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms. The Company has shareholder approval to extend its share schemes overseas and the Committee has now established a Sharesave scheme for employees in Germany.

Directors' Remuneration Policy continued

Annual Incentive Scheme

Approximately 3,900 employees are eligible to take part in an annual incentive scheme linked to the achievement of financial and other business targets. The maximum opportunity is dependent on role. Approximately 45 employees, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred share awards, ranging from 60% to 170% of base salary.

Approximately 90 employees, including the executive directors, are given individual strategic objectives in addition to the financial and other business targets mentioned above.

Restricted Share Plan

Approximately 45 employees, including the executive directors, participate in the RSP. This plan is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Pension

Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company.

From 31 December 2022, the incumbent executive directors will receive Company contributions of 10% of base salary, which aligns with the contribution rate offered to the majority of the wider workforce. The upper limit for new joiners continues to be 10% of base salary as agreed in the previous policy. Contributions can be allocated to the individual's pension or taken as cash. Employees who do not choose to participate may be automatically enrolled, with contributions in line with the automatic enrolment regulations.

Consideration of shareholder views and summary of decision making process

The Committee has consulted with Whitbread's major investors, along with Glass Lewis, ISS and the Investment Association. These consultations have been very helpful to us as we have updated our policy for the future, and I would like to thank all those who responded to the consultations for their time and input. Following feedback that financial metrics should have an increased weighting within the Annual Incentive Scheme, we have increased the weighting to a minimum of 60% of the total award and stated that the predominant amount is intended to be profit. This is the only change we have made to the proposed policy following the consultation process, as feedback has been positive and supportive of the Committee's approach.

Legacy matters

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (i) before the Company's first shareholder-approved directors' remuneration policy came into effect; (ii) before this Policy came into effect if the terms were in line with the Company's shareholder-approved directors' remuneration policy in force at the time those terms were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Remuneration Committee discretion

The Committee retains the discretion to apply 'good leaver' terms to leavers in respect of both the Annual Incentive Scheme and the RSP. In exercising its discretion, the Committee must consider the individual circumstances in the particular case and must not exercise its discretion in a way which would be discriminatory on grounds of sex, race, age or any other protected characteristic within the meaning of section 4 of the Equality Act 2010.

The Committee must also, so far as it is able to do so, exercise its discretion in a way which is consistent as between individuals who are in the same position.

Under the rules of the Annual Incentive Scheme, if 'good leaver' terms apply, any deferred share awards normally vest in full on the date of leaving and may be exercised within six months. Under the rules of the RSP, the award would normally vest subject to the satisfaction of performance underpins measured at the end of the period originally set (unless the Committee determines otherwise). The number of shares vesting would normally be on a pro-rata basis, taking account of the proportion of the relevant period that the individual had been employed within the Group (unless the Committee determines otherwise). The extent to which RSP awards vest would also be subject to the Committee's discretion (mentioned above) to determine the level of vesting based on the underlying financial performance of the Company and such other factors it considers appropriate.

Vested but unexercised awards (including those subject to a holding period (under the RSP) are exercisable for six months from the later of the end of any relevant holding period and the date of termination.

The Committee sets the performance targets for the Annual Incentive Scheme and the underpins for the RSP. The Committee may change a performance target or underpin from time to time to take account of legal changes or to obtain or retain favourable tax, regulatory or exchange control treatment or in the event that it considers it fair and reasonable to do so. Any change to an existing underpin under the RSP must not have the effect, in the opinion of the Committee, of making the underpin materially easier or materially more difficult to achieve than it was when the award was initially granted.

The Committee has the discretion to override formulaic outcomes under the Annual Incentive Scheme and RSP, where it considers it would be appropriate to do so to better reflect overall Company performance.

ANNUAL REPORT ON REMUNERATION

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Frank Fiskers (Chairman)	4/4
David Atkins	4/4
Kal Atwal	4/4
Adam Crozier	4/4
Richard Gillingwater	4/4

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and members of the Executive Committee, including the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, executive incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the alignment of incentives with the Company's wider culture.
- Obtain ideas and concerns from the wider workforce about reward and take into account workforce remuneration across the Company and externally when setting remuneration policy for the executive directors.

In carrying out its duties the Committee has taken into account the principles outlined in the UK Corporate Governance Code 2018, including provision 40 and 41. The Committee believes that the Company's remuneration structures are aligned to the Company's culture and values. Furthermore, the Company's remuneration structures are simple and clear, with executive directors receiving base salary, an annual incentive and a long-term incentive under the RSP.

Risk is managed, with both the Annual Incentive Scheme and the RSP being subject to malus and clawback provisions. In addition, a poor health and safety performance would lead to a reduced payout under the Annual Incentive Scheme and the underpins under the RSP provide protection against any payment for failure.

Outcomes are predictable to the extent that the Company achieves its targets over any given performance period.

A significant proportion of an executive's total reward is linked to performance, with much of the reward achieved being deferred. This helps to align the interests of executives to investors.

Remuneration Committee – advisers

Internal advisers

Chris Vaughan – General Counsel and Secretary to the Committee

Steve Jones – Reward, Pensions and Insight Director

External advisers

PwC, one of the founding members of the Remuneration Consultants Group Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. Fees paid to PwC in respect of advice received by the Committee amounted to £154,500. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective. The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence.

Remuneration Committee agenda – 2021/22

- Approval of Annual Incentive Scheme and targets for 2021/22.
- Deferral of awards to executive directors under the Annual Incentive Scheme for 2020/21.
- Executive directors' and senior executives' salary review.
- Approval of the 2021 awards made under the RSP.
- Approval of the 2021 remuneration report.
- Update to Sharesave rules.
- Review of wider remuneration strategy across the organisation.
- Shareholder consultation in relation to revised remuneration policy.
- Review of senior executive pension arrangements.
- Committee effectiveness evaluation.
- Review of the terms of reference.

Annual Report on Remuneration continued

Single total figure of remuneration – executive directors (audited information)

Director	Base salary[1]		Benefits		Pension		Fixed pay		Annual Incentive Scheme		Long-term incentive		Variable pay		Total	
	21/22 £'000	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000
Alison Brittain	**892**	816	**20**	22	**166**	194	**1,078**	1,032	**1,086**	–	**–**	–	**1,086**	–	**2,164**	1,032
Nicholas Cadbury	**606**	556	**20**	22	**112**	131	**739**	709	**–**	–	**–**	–	**–**	–	**739**	709
Louise Smalley[2]	**200**	367	**9**	19	**38**	86	**247**	472	**244**	–	**–**	–	**244**	–	**491**	472

1 The 2020/21 base salary figures reflect that the executive directors agreed to a 30% three-month reduction in response to the pandemic. The figures, had no reduction been made would have been £882k, £606k and £400k for Alison, Nicholas and Louise respectively.

2 Louise Smalley retired from the Company and stepped down from the Board on 31 August 2021. The figures shown for the 2021/22 financial year are for the part of the year during which Louise served on the Board.

Details of each of the elements included in the table above are as follows:

Base salary

Annual salary increases across the Group are usually effective from 1 May each year. The base salary numbers shown in the table therefore include two months' pay based on the director's salary from 1 May 2020 and ten months' pay based on the director's salary from 1 May 2021.

Benefits

The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme

2020/21 annual incentives

As explained in last year's report, the targets for the 2020/21 incentive scheme had been established prior to the first COVID-19 lockdown coming into force and it was clear very early in the year that the profit element, as originally set, could not be achieved. However, the Committee decided the target would not be adjusted.

Following the end of the year, we carefully considered the levels of achievement for the other elements of the incentive. Whilst it was clear that these stretching objectives had been achieved, we decided to make no payment at that time, but rather to carry over this earned part of the incentive, subject to an underpin based on the achievement of further stretching targets, to be assessed in 2021/22. Whilst we were confident the 2020/21 incentive outcome fully reflected the strong performance in that year, this approach allowed us to conserve cash, provide a direct incentive for recovery of the business from the pandemic and a retention mechanic at a time when the executives had very little retention coming from long term incentive plans. It was, therefore, aligned with the interests of shareholders.

The underpin on this deferred element required satisfactory performance to be delivered on at least 50% of each executive's strategic objectives set for the 2021/22 financial year.

As explained on page 88, Whitbread has performed exceptionally well in challenging external circumstances this year. Performance has been significantly ahead of the budget/economy hotel market and also ahead of internal and external expectations. We have continued to grow the business in Germany, building a portfolio of 35 hotels in this attractive growth market. The Committee has also considered the treatment of all stakeholders over the course of the year: customer and guest scores have improved; our efficiency programme has accelerated; our hourly paid team members have received two pay rises and two bonus payments; we have supported suppliers throughout and paid on time; and we have announced an intention to recommend a final dividend. This is due to the strong performance of all of our employees, including the executives, and is reflected in the outcomes of their strategic objectives. The outcomes for the executive directors are 84.0% and 84.6% for Alison and Louise respectively, and are clearly itemised on pages 104 and 105. These outcomes are well above the 50% threshold for the underpin to be met.

As the underpin has been met, the incentive would ordinarily be payable based on the structure and conditions we set in 2021 and explained to shareholders at that time. However, whilst the Committee believes management has performed exceptionally well during the last two years and all performance requirements have been fully delivered, Alison Brittain, Louise Smalley and the Committee have jointly come to the decision that Alison and Louise will not receive these incentive payments. Instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees. The incentive payment for Nicholas Cadbury lapsed.

Although no payment will be made, the Committee remains of the view that the approach taken last year served a useful purpose in creating an appropriate structure at a time of significant uncertainty in the business and the wider economy, and balanced this against investors' guidance at the time.

2021/22 annual incentives

The incentive for 2021/22 was assessed against a combination of profit, efficiency savings and strategic objectives. The Committee took a different approach to setting profit targets given the significant restrictions in the hospitality sector and an uncertain outlook.

The profit target was assessed in two parts, against targets set at the start of the year. The first part assessed profit conversion, with the profit target adjusted for actual sales. This allowed the Committee to measure whether Whitbread was generating the right return on its sales, when the absolute level of sales was determined in large part by the timeframe during which restrictions on trade were in place. The second part assessed sales growth relative to the market, which enabled the Committee to test if the Company was performing more strongly than competitors and delivering additional profit as a result.

When calculating the outcome of the profit conversion element, the Committee reviewed the need for potential adjustments. The targets were set based on an assumed level of Government support. During the course of the year additional Government support, not included in the original targets, was utilised. This was primarily due to a grant received in Germany and an extension of the Government's CJRS in the UK. To ensure a like-for-like assessment of performance vs targets set at the start of the year, this additional Government support of £80m was removed from the underlying profit outcome. This ensures that executives' incentive outcomes do not benefit from the additional support received.

Full details of the outcome against all performance measures is included on page 91.

The Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. The Committee is comfortable that the formulaic outcome fully reflects management's strong performance against targets for the year.

However, the Committee is focused on ensuring that the final outcome best reflects the wider stakeholder experience and the views expressed to us by shareholders and investor bodies. As such, it has decided to make a further discretionary reduction. In order to reflect the Company's use of the CJRS for the first three months of our financial year, the Committee is reducing the overall outcome by 25%. This means executives are only receiving an incentive payment for the final nine months of the year when the CJRS was not accessed.

For the 2020/21 incentive, the Committee made a pre-emptive decision to cancel the profit measure, but to continue with the other elements. We know that a significant minority of shareholders did not support this action and that is why, for the 2021/22 incentives, we have gone further and reduced the entire annual incentive payment to zero for the period during which the CJRS was accessed.

Awards based on profit measure (50% of total award)

As stated last year, the profit target was measured on a basis that adjusted for the level of actual sales. This enabled the executives to be rewarded for delivery of what was in their control: profit conversion; and sales relative to the market. The measure was constructed in two parts. To assess profit conversion, the first element measured the Whitbread profit against the expected profit given the actual Whitbread sales. To assess sales relative to market, the second element measured Whitbread sales growth vs Market sales growth, using FY20 as a pre-COVID-19 reference point.

The outcomes under the sales growth and profit conversion measures are set out below:

	Sales growth vs market measure	Profit conversion measure
	Sales growth vs Market (FY20 base point)	Profit (£m)
Threshold (25% maximum)	-1%	(£64m)
Target (50% maximum)	0%	(£44m)
Stretch (100% maximum)	+2.25%	(£24m)
Actual	+25%	(£16m)
Outcome (% of maximum)	100%	100%

Sales growth

- Target performance was set at growing sales in line with market, and stretch performance was set at growing sales by 2.25% points ahead of market.
- Our actual sales growth was 25% points ahead of market, delivering an additional £279m of profit.

Profit conversion

- Targets for the profit conversion measure were set based on the total Whitbread sales, using a formula determined at the start of the year. Based on our actual sales, the targeted loss was (£124m).
- However, since the targets were agreed, unplanned UK and Germany government support was made available to Whitbread, totalling £80m.
- This government support was accepted in order to protect jobs and allow Whitbread to continue to invest for growth.
- However, to ensure that incentive outcomes are not boosted by receiving this support, this additional government support was added to the targeted profit outcome to increase the target from (£124m) to (£44m).
- The actual outcome of (£16m) was in excess of the stretch goal of (£24m).

The percentage of salary received by each director as a result of the profit measure is as follows:

Director	Total % of salary
Alison Brittain	**85.00**
Louise Smalley	**85.00**

Awards based on efficiency target (20% of total award)

The target was £25m with a threshold of £20m and stretch of £30m. Stretch was exceeded, with efficiency savings of £40m delivered in the year across procurement, operations and property.

Director	Total % of salary
Alison Brittain	**34.00**
Louise Smalley	**34.00**

Annual Report on Remuneration continued

Awards based on strategic objectives (30% of total award)

Each of the executive directors had a number of business objectives and 25% of the maximum incentive opportunity was linked to performance against these objectives. A summary of each of the executive directors' objectives, together with the incentive outcomes, is shown in the table below.

Alison Brittain, Chief Executive

Measures	Actual outcome	Achievement per outcome
Manage the impacts of the COVID pandemic		
Effectively manage the property portfolio	Completed and maintained option on the targeted amount of sale and leaseback opportunities ready to execute with Board approval should it be required. Completed forward funding of £73m for Marylebone development.	✓
Complete the US private placements buyback to plan with acceptable terms	Completed on time and in line with provision level.	✓
Deliver contract base efficiencies/labour model and produce a smaller and simpler field operations structure	Completed and savings achieved ahead of target.	✓
Launch new brand marketing campaign and programme to 'reboot' sites to drive commercial performance on reopening	Completed, with good return on investment and strong commercial performance with significant market outperformance. The outperformance vs Economy and Midscale market was +14.8% for the year.	✓
Manage operational impacts at sites in all territories	Operational performance managed throughout period incl. health and safety, site closures, site consolidation, and site reopening as necessary across the four nations in the UK and Germany and the UAE businesses.	✓
Premier Inn growth and optimisation		
UK room openings	30 hotels opened (c.3,800 rooms), ahead of target (20+ new hotels, 2,500 new rooms).	✓
Premier Plus rooms to be opened and new room products trialled	c.1,650 Premier Plus rooms opened and c.150 new room products, ahead of target (300+ new Premier Inn Plus rooms and trial 100+ new room products incl. twin rooms).	✓
Maintain and develop plan for optimising the property network	Completed above target – a portfolio of sites identified and prepared for sale when market conditions are right.	✓
Site disposals as part of network optimisation	Completed disposal of nine sites valued ahead of target level at £57m (target £40m).	✓
New pipeline rooms and refurbishment	Both just below target – c.700 rooms added to pipeline (target 750 rooms) and £29.3m of refurbs completed (target £30m).	✗
Germany growth		
Evaluate priority going concern portfolio acquisition options	Significant number of portfolios assessed – ahead of schedule.	✓
Execute at least one acquisition	No acquisitions executed.	✗
Delivery of German commercial strategy incl. review of direct vs indirect booking strategy	New commercial strategy delivered and executed with above market performance delivered at city level.	✓
Hotel openings	14 hotels and c.2,200 rooms opened ahead of target (14 hotels and c.1,800 rooms).	✓
Refurbishment, rebranding and integration of Centro, Hotels, three Accom and complete Foremost hotels	Completed.	✓
Add pipeline sites	Six pipeline sites added – ahead of target of five sites.	✓
Group projects		
Replacement room booking system project to be on track on time, quality and budget for delivery 2022/23	Project has been subject to re-planning of both time and budget.	✗
Produce savings from UK property costs	Achieved – delivered c.£8.65m cost and c.£16m net present value (NPV) ahead of target delivery of c.£2m of property cost savings from occupancy costs and re-gears of c.£5m NPV.	✓

Measures	Actual outcome	Achievement per outcome
Complete full technical review of all commercial and data systems. Deliver commercial IT agenda and Payments remediation work	Technical reviews completed on track. Payment remediation completed, including changing gateway and acquirer. Commercial IT plan delivered on time.	✓
ESG		
Review and accelerate science-based Net Zero target for carbon emissions	Board-approved plans for Net Zero carbon by 2040.	✓
Develop Green Bond Framework and report against use of £550m bond proceeds	Framework developed with report included on page 47. Of £550m bond, we have established that c.£438m has already been spent on qualifying projects.	✓
Develop an ESG communications programme for key shareholders and other stakeholders	Delivered ESG report, two ESG conferences, and four analyst teach-ins.	✓
Inclusive leadership training completed for senior leadership group and Group D&I commitments agreed and communicated	Completed, with 2023 target for female representation in the leadership group (40%) achieved and significant progress made towards the 2023 ethnic diversity leadership target.	✓
	Achieved 84% of maximum = 42.84% of salary	

Louise Smalley, Human Resources Director

Measures	Actual outcome	Achievement per outcome
Optimising our ability to be productive and perform to our best		
Launch of hybrid working within UK and Germany Support Centres with aligned principles, actively using Our Voice consultation forums in the UK to drive listening, visible action and engagement through the transition	Completed – consultation undertaken and transparent communication to explain rationale to impacted employees. Return to office in Sept 21 for majority in UK launched with high-quality tools and guidance to support managers. German phased return delayed due to Government guidance and review of space requirements given capacity constraints, but all policy processes and practices ready to be utilised.	✓
Develop training and comms programme to reboot sites on reopening to accelerate recovery	Completed – new hire retention ahead of 2019/20.	✓
Maintain overhead cost efficiency discipline and further manage cost by delivering efficiency savings through contract base efficiencies and labour model as sites reopen	Completed – governance processes performing well. Overhead cost efficiencies from organisation redesign maintained.	✓
Develop UK KPIs that will determine the underlying site team stability post restrictions to actively mitigate risk to the new operating models	Completed, with a full suite of KPIs for opening and targeted understanding of movement by role and region understood to enable targeted investments.	✓
Enable our recovery with a targeted supply management plan as the economy and labour market opens	Not completed, with supply issues accelerating ahead of our resource readiness having significantly reduced resourcing capacity.	✗
Simplification saving and service through technology		
HR core IT platform review for UK and Germany	Completed – investment approved and moved to RFP.	✓
Stakeholder engagement with key audiences defined and engaged	Completed, with some further alignment needed.	✓
Define plan for de-risking future IT changes and quick wins in terms of comms platforms for site engagement	Completed – data strategy being executed with comms platform in pilot.	✓
We are for everyone and we value difference/Attracting and hiring great diverse talent		
Internal ethnicity pay gap report produced with insights and action plans	Completed – first report communicated Company-wide with context, action plan and 2023 commitments being tracked on a new D&I scorecard.	✓
Inclusive leadership training completed for senior leadership group supported by their personal D&I commitments agreed and communicated	Completed.	✓
Gender network established with a structure that takes account of intersectionality across the four networks	Partially completed – network and steerco launched together with intersectionality bridge in progress but not complete.	✓
Inclusive policy sprint plan defined and executed to maximise opportunities to sponsor inclusion	Completed – priority guidance and policy reviews completed for all three launched networks, with disability inclusion prioritising workplace assessments in H2.	✓
	Achieved 84.62% of maximum = 43.16% of salary	

Annual Report on Remuneration continued

Total awards

The maximum potential award was 170% of salary and the total incentive earned is as follows:

Director	% of salary based on profit	% of salary based on efficiency target	% of salary based on strategic objectives	Total % of salary	Total % of salary after 25% reduction	Total £'000
Alison Brittain	**85.00**	**34.00**	**42.84**	**161.84**	**121.38**	**1,086**
Louise Smalley	**85.00**	**34.00**	**43.16**	**162.16**	**121.62**	**244**

The percentages shown above show the percentage of salary earned before any deductions. However, as explained on page 88, the awards were reduced by 25% and this reduction is reflected in the cash total shown above as well as in the single figure table on page 102. In Louise Smalley's case, the cash amount was further reduced to reflect the time served during the year. Half of these awards will be paid in cash in May 2022, with the remaining half being settled in deferred shares, which are expected to vest in 2025.

Long-term incentives

No awards were due to vest to the executive directors under either the Long-term Incentive Plan or the Restricted Share Plan during the year.

Pension

The executive directors receive a monthly amount in cash in lieu of pension contributions. This reduced from 21.5% to 18% in May 2021 and it will further reduce to 15% in May 2022.

Under the proposed remuneration policy on pages 92 to 100, this rate will reduce to 10% effective from 31 December 2022, at which point it will be aligned with the rate available to the majority of the wider workforce. On appointment, Hemant Patel's rate was set at 10%.

No executive director participates in a Group defined benefit or final salary pension scheme.

Single total figure of remuneration – Chairman and non-executive directors (audited information)

	Base fee[1]		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
Director	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000	**21/22 £'000**	20/21 £'000
Adam Crozier	**408**	380	**–**	–	**–**	–	**–**	–	**408**	380
David Atkins	**62**	58	**–**	–	**–**	–	**10**	10	**72**	68
Kal Atwal	**62**	–	**–**	–	**–**	–	**5**	–	**67**	–
Horst Baier	**62**	58	**–**	–	**–**	–	**5**	5	**67**	63
Fumbi Chima	**62**	–	**–**	–	**–**	–	**5**	–	**67**	–
Frank Fiskers	**62**	58	**–**	–	**20**	20	**5**	5	**87**	83
Richard Gillingwater	**62**	58	**15**	15	**–**	–	**5**	5	**82**	78
Chris Kennedy	**62**	58	**–**	–	**20**	20	**–**	–	**82**	78

1 The 2020/21 base fee figures reflect that the Chairman and non-executive directors agreed to a 20% three-month reduction in response to the pandemic. The figures, had no reduction been made would have been £400k for the Chairman and £61k for each of the non-executive directors.

Statement of directors' shareholding and share interests (audited information)

The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

When the new remuneration policy was approved in December 2019, we took the opportunity to bring our shareholding requirements for the executive directors in line with market practice. We increased the requirement for the Chief Executive from 200% of salary to 300% of salary and the requirement for the other executive directors from 125% of salary to 200% of salary. In addition, new post-cessation shareholding requirements were introduced. These are subject to transitional arrangements for the executive directors in role at the time they were introduced. We have also made changes to the method of calculation, with unexercised share awards no longer subject to performance testing being taken into account (adjusted for any deductions to be made at the point of exercise). All of the executive directors are in compliance with the requirement.

The Chairman and the non-executive directors are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 3 March 2022:

	Counting towards requirement				Performance vs requirement			
Director	Ordinary shares	Share awards[1]	Value based on input price £'000	Value based on market price £'000	Requirement % of salary/ base fee	% of salary based on input price	% of salary based on market price	Share awards not counting towards requirement
Chairman								
Adam Crozier	13,930	–	455	420	100	111	103	–
Executive directors								
Alison Brittain	132,861	44,170	5,134	4,706	300	585	537	77,660
Nicholas Cadbury	39,099	19,172	1,678	1,484	200	282	249	46,419
Louise Smalley[2]	64,794	16,662	2,576	2,217	200	694	563	18,295
Non-executive directors								
David Atkins	3,137	–	99	94	100	159	151	–
Kal Atwal	2,063	–	60	62	100	97	100	–
Horst Baier	2,400	–	84	72	100	135	116	–
Fumbi Chima	315	–	10	9	100	16	15	–
Frank Fiskers	2,115	–	63	64	100	102	102	–
Richard Gillingwater	2,000	–	70	60	100	112	96	–
Chris Kennedy	2,250	–	73	68	100	117	109	–

1 The market price used was the average for the last quarter of the financial year (3,011.67p). The number of share awards shown is the full number, but the valuation of those awards has been reduced to reflect deductions to be made at the point of exercise in respect of income tax and national insurance contributions. The awards include deferred shares awarded under the Annual Incentive Scheme and vested, but unexercised, awards under the Long Term Incentive Plan. All share awards are structured as nil-cost options on vesting.

2 Louise Smalley retired from Whitbread and stepped down from the Board on 31 August 2021. The information provided in the table above is as at that date.

There has been no change to the interests in the tables shown on this page between the end of the financial year and the date of this report.

Options exercised (audited information)

The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price	Exercise date	Market price on exercise (p)
Alison Brittain	AIS	12,922	N/A	23-Nov-21	3,012.0
Nicholas Cadbury	AIS	8,593	N/A	07-May-21	3,245.0
Louise Smalley	AIS	10,300	N/A	07-May-21	3,245.0
	SAYE	356	N/A	09-Aug-21	3,183.0

Key

AIS: Deferred shares awarded in prior years under the Annual Incentive Scheme.

SAYE: Options granted under the savings-related share option scheme.

Awards granted

No awards were granted during the year under the Annual Incentive Scheme. Awards were granted under the Restricted Share Plan as follows, with the market price being the average closing price of a Whitbread share for the five trading days immediately prior to the grant, excluding any days on which dealing in Whitbread shares by management was prohibited:

Director	Scheme	Date of award	Number of shares	Market price (p)	Total value (£'000)
Alison Brittain	RSP	27.04.21	31,363	3,495.6	1,096
Nicholas Cadbury	RSP	27.04.21	18,746	3,495.6	655

Key

RSP: Awards made under the Restricted Share Plan.

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Performance metrics

The awards made under the Restricted Share Plan will vest in 2024, subject to two underpins being met. They will then be subject to a two-year holding period. The first of the underpins is a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic, and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin is a cumulative cost efficiency saving of £60m over the three-year performance period.

The underpins will be measured up to the end of the 2023/24 financial year. The award granted to Nicholas lapsed when he left the Company.

Payments to past directors (audited information)

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Company's share schemes, no other payments were made during the year to past directors.

Remuneration terms for Louise Smalley's departure

As disclosed in last year's report and in line with the approved remuneration policy, the Committee elected to apply 'good leaver' terms to Louise Smalley on her retirement from the Company. In accordance with the policy: unvested deferred share awards earned in respect of annual incentive schemes prior to 2020/21 will vest in full on their original vesting dates; the 2020 RSP award will vest on its original vesting date, subject to the assessment of the underpins at that time, and will be pro-rated based on service during the performance period; and Louise was eligible to participate in the 2021/22 Annual Incentive Scheme, with the award pro-rated for service in the year. The terms did not include any pay in lieu of notice or eligibility to participate in the 2021 RSP. The post-employment shareholding requirements will apply.

Remuneration terms for Nicholas Cadbury's departure

Nicholas Cadbury stepped down from the Board and left the Company on 20 March 2022.

The following information was provided on the Company's website in accordance with section 430 (2B) of the Companies Act 2006. All arrangements are in line with the Company's stated remuneration policy approved by the shareholders at the general meeting held on 6 December 2019.

Nicholas received his salary, benefits and pension allowance as usual until the date of leaving the Company. There was no pay in lieu of notice. No cash payments or share awards have or will be made in respect of either the 2020/21 or the 2021/22 annual incentive schemes.

Share awards deferred in respect of annual incentives earned from the 2019 and 2020 schemes will partially vest, and the balance of unvested shares will lapse on the date of leaving, in line with the remuneration policy. The awards made under the RSP in 2020 and 2021 will lapse.

Chief Executive's remuneration

Whitbread is in the hospitality business and has a large workforce of around 36,000 team members who are employed directly by the business, with the majority being in hourly paid customer-facing roles in our hotels and restaurants. We have an aligned set of reward principles for all employees which includes a core principle to offer competitive pay rates at all levels, reflecting our position as a leading organisation in the hospitality sector. This enables us to attract and retain the right talented people for our winning teams.

For our hourly paid team members, we benchmark other hospitality companies to ensure we are competitive when comparing pay with similar organisations and we operate an approach to pay which increases pay for skills progression with clear and transparent pay rates for each role that increase as new skills are developed. For our Chief Executive, we benchmark against the FTSE 31-100 (removing any non-comparative industries such as Financial Services, Oil & Gas and Natural Resources, which include significantly higher levels of remuneration) and this allows us to have an appropriate comparison for this role in our sector.

As noted in previous years, the Chief Executive has a high level of variable pay, which impacts the CEO pay ratio. For 2021/22 this has led to the median pay ratio increasing from 53:1 in 2020/21 to 105:1. This is due to the outcome under the annual incentive award being 71.4% this year whereas there was no payout under the annual incentive last year. In future years, when RSP awards begin to vest, the amounts vesting in the year will also be included in the Chief Executive's single figure and hence will be included when calculating the CEO pay ratio.

All three of the UK employee reference points compare our Chief Executive's remuneration with that of hourly paid team members in customer-facing roles in the operational outlets and again there is relatively limited difference in the 25th, median and 75th percentile ratios as shown below. Given this, we believe the median pay ratio is consistent with the reward policies for our UK employees.

Whitbread has continued to use Option A to calculate its ratio, as the data required is readily available and this option provides the most accurate comparison as the figures are calculated on a like-for-like basis.

The table below shows how the total pay of the Chief Executive compares with our UK employees at the 25th, median and 75th percentile:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021/22	Total pay (FTE):	£19,341	£20,138	£21,594
	Total pay & benefits (FTE):	£19,659	£20,592	£22,153
	Pay ratio (Option A):	110:1	105:1	98:1
2020/21	Pay ratio (Option A):	55:1	53:1	50:1
2019/20	Pay ratio (Option A):	150:1	143:1	134:1

The figures were calculated on 28 February 2022 (the 'snapshot date') and use the single figure methodology (salary, benefits, annual incentive, LTIP, pension) and for the Chief Executive this is taken from the total single figure remuneration for 2021/22 on page 102 of £2.165m.

The following table shows the Chief Executive's pay over the last ten years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP award vesting
2021/22	Alison Brittain	2,164	71,4[3]	N/A
2020/21	Alison Brittain	1,032	0.0[2]	N/A
2019/20	Alison Brittain	2,636	56.7	36.0
2018/19	Alison Brittain	5,588[1]	54.8	0.0
2017/18	Alison Brittain	2,336	64.1	38.3
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	N/A
	Andy Harrison	2,423	38.8	97.2
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8

1 Includes £3.7m from the vesting of a one-off award under the Performance Share Plan in relation to the sale of Costa. This award vested at 97.53% of maximum.

2 The % of maximum annual incentive achieved for the 2020/21 financial year was deferred until 2022 and payable in the event that Alison achieved further strategic objectives during the 2021/22 financial year. As explained on page 88, whilst the Committee believes management have performed exceptionally well during the last two years and the performance requirements have been fully delivered, it has been decided that the incentive will not be received and, instead, an equivalent amount is to be used to form a welfare fund for Whitbread employees.

3 The percentage of maximum annual incentive achieved for 2021/22 disclosed in the table above reflects the annual incentive outcome after the 25% reduction has been applied, as explained on page 88.

Annual percentage change in remuneration

Whitbread PLC has no employees, but for information purposes, the Chief Executive's remuneration (including base salary, benefits and annual incentive payment) increased by 138.4% in the year, compared with an increase of 10.5% for the Group's employees as a whole.

Relative importance of spend on pay

The table below compares the change in total expenditure on employee pay during the year to the change in dividend payments and share buybacks.

	2020/21	2021/22	% Change
Employee costs	£581.5m	£678.9m	16.7%
Dividends	£–	£–	No change

Implementation of remuneration policy in 2022/23

Base salary

Alison Brittain will receive a 3% salary increase in May 2022, in line with the general increases in pay for salaried employees across the organisation. Hemant Patel, having recently been appointed, will not be entitled to a salary increase in May. The base salaries of the executive directors with effect from 1 May 2022 will be as follows:

Director	Base salary at 1 May 2022 £'000	Base salary at 1 May 2021 £'000
Alison Brittain	921	895
Hemant Patel	515	N/A

Benefits and pension

The benefits received by each executive director will continue to include family private healthcare, a cash allowance in lieu of a company car and cash allowances in lieu of pension.

Annual Report on Remuneration continued

Annual Incentive Scheme

To be eligible to receive incentive payments there are 'gateway' requirements relating to leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and Code of Conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to achieve incentivised rewards. The Committee has the discretion to amend formulaic outcomes.

Given the increased focus from investors on ESG measures and the recent shareholder consultation revealed a strong appetite for ESG measures to be included, there will be a 10% allocation to ESG. The ESG measure will be made up of the reinstatement of WINcard Customer metrics and the introduction of Force for Good metrics.

The measures and weightings for the 2022/23 annual incentive are therefore as follows:

Measure	Weighting
Profit performance	50%
Efficiency	20%
Strategic growth objectives	20%
ESG measures	10%

Financial measures

The targets of the two financial metrics, which make up 70% of the annual incentive, are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance. The Committee intends to disclose the targets retrospectively in the 2022/23 report. As signalled on page 89 of the 2020/21 report, the measurement of the profit target will revert to the usual approach.

Strategic growth objectives

Each executive director also has business objectives linked to the Group's strategic priorities. They will be eligible to receive up to 20% of the maximum incentive opportunity based on the delivery of these objectives. Achievement of the approved objective outcomes has been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance. A summary is included below.

Alison Brittain

UK growth and optimisation to include the opening of new hotels and an increased pipeline together with the refurbishment of existing hotels and the continuation of new product trials.

Growth of the German business to include assessment of potential acquisitions in addition to the opening of hotels from the committed pipeline.

Infrastructure and financial with the replacement reservation system on track for pilot and property costs savings.

ESG objectives including carbon reduction accreditation.

Hemant Patel

UK growth and profitability including the optimisation of the estate and improved RevPAR.

Growth and profitability of the German business, identifying good returns for the next phase of German growth and a review of the operational cost model in order to maximise long-term margin opportunities.

Capital structure and capital allocation projects including RCF refinancing and reduction of pension longevity risk through a buyin together with the identification of network optimisation opportunities.

Group projects including financial management of the replacement reservation system and a major networks upgrade.

ESG

The 10% allocation to ESG measures will be split between:

- Force for Good (Reduction in carbon emissions and diversity in our senior leadership population);
- WINcard Customer (Premier Inn Satisfaction and Restaurants satisfaction)
- The targets for the ESG measures are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance.
- The Committee intends to disclose the targets retrospectively in the 2022/23 report.

Cash awards will be made in May 2023, with deferred equity issued in April or May 2023 and due to vest in 2026, with no further performance conditions applying.

Restricted Share Plan

It is anticipated that the executive directors will receive awards under the RSP in April or May 2022. These will be based on 125% of salary for Alison Brittain and 110% of salary for Hemant Patel.

The awards will be subject to two underpins and, subject to these underpins being met, are expected to vest in 2025, after which they will be subject to a two-year holding period.

The first of the underpins will be a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin will be a cumulative cost efficiency saving of £60m over the three-year performance period.

In setting this underpin, the Committee is conscious that the environment remains highly unpredictable. Under the plan rules and approved policy, the Committee may amend an underpin if it is no longer suitable, so long as the new condition is not materially easier or more difficult to achieve than when the award was initially granted. It would be our intention to monitor changes in the external environment and their effect on this underpin, and to consider adjustment if the Committee judges that the underpin is no longer operating as intended.

Chairman's fee

The Chairman received a 3% increase in his fee with effect from 1 March 2022, taking his annual fee to £420,250.

Non-executive director fees

The base annual fee for non-executive directors increased on 1 March 2022 by 3% to £64,300. The fees for the chairmanship of the Audit Committee and the Remuneration Committee were increased to £20,600. The fee for the Senior Independent Director increased to £15,450 and the fees for membership of the Audit and Remuneration Committees increased to £5,150.

Statement of shareholder voting

The advisory resolution to approve the 2020/21 annual report on remuneration was put to shareholders for approval at the 2021 AGM and the resolution was passed. At a General Meeting in December 2019, the current remuneration policy was put to a vote by shareholders and was also passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Annual report on remuneration	72,249,099 (64.25%)	40,192,388 (35.75%)	112,441,487	23,841,439
Directors' remuneration policy	64,495,817 (70.5%)	27,038,317 (29.5%)	91,534,134	178,635

Directors' Report

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts. These include the corporate governance and remuneration reports and the Group financial statements and notes to those financial statements, and accordingly these are incorporated into the report by reference.

The directors present their Report and Accounts for the year ended 3 March 2022.

Results and dividends

Group adjusted loss before tax	(£16 million)
Group profit before tax	£58 million
Recommended final dividend per share	34.7p

Details on the Group's dividend policy can be found on page 31 in the Chief Financial Officer's review.

Subject to approval at the AGM, the final dividend will be payable on 1 July 2022 to the shareholders on the register at the close of business on 27 May 2022.

The Board

Board of Directors

The directors at the date of this report are listed on pages 68 and 69. Kal Atwal and Fumbi Chima were appointed to the Board as non-executive directors from 1st March 2021 and Louise Smalley resigned from the Board on 31st August 2021. Hemant Patel was appointed to the Board on 21 March 2022.

Details of directors' training are given in the corporate governance report on pages 73 to 74.

Directors' service contracts

The key terms of the executive directors' service contracts, together with the dates of those contracts can be found in the remuneration report on page 98, along with the effective dates of the letters of appointment of the Chairman and the non-executive directors.

Powers of directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's articles of association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Appointment and replacement of directors

Directors shall be no fewer than two and no more than 20 in number. Directors may be appointed by the Company, by ordinary resolution or by the Board of Directors.

In accordance with the UK Corporate Governance Code 2018, all directors will stand for annual re-election at each AGM.

The Company may, by special resolution, remove any director before the expiration of his/her term of office.

Directors automatically stop being directors if:

- they give the Company a written notice of resignation (at the date such notice expires);
- they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
- all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
- they have missed directors' meetings (whether or not an alternate director appointed attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
- they are prohibited from being a director under any applicable legislation; or
- they cease to be a director under any applicable legislation or are removed from office under the Company's articles of association.

Directors' indemnity

A qualifying third-party indemnity provision was in force for the benefit of the directors during the financial year. In addition, a qualifying pension scheme indemnity provision was in force for the benefit of Whitbread Pension Trustees during the financial year.

Compensation for loss of office

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Directors' share interests

Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on page 107.

Shares

Share capital

Details of the issued share capital can be found in Note 27 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and, on a liquidation, may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at AGMs.

Voting rights

On a show of hands at a general meeting of the Company, every holder of ordinary shares present, in person or by proxy, and entitled to vote, has one vote (unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution) and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than (i) 48 hours before a meeting or adjourned meeting (excluding non-working days), or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he or she has not paid all amounts relating to those shares which are due at the time of the meeting.

Where a shareholder with at least a 0.25% interest in a class of shares has been served with a disclosure notice in relation to a particular holding of shares and has failed to provide the Company with information concerning those shares, those shares will no longer give that shareholder any right to vote at a shareholders' meeting.

Restrictions on transfer of shares

There are the following restrictions on the transfer of shares in the Company:

› certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);

› pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;

› where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;

› the subscriber ordinary shares may not be transferred without the prior written consent of the directors;

› the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid;

› transfers cannot be in favour of more than four joint holders; and

› the directors can refuse to register the transfer of an uncertificated share in the circumstances set out in the uncertificated securities rules (as defined in the Company's articles of association).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

B shares and C shares

Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of six month LIBOR on a value of 155p per B share and 159p per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to payment of 155p per B share and 159p per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

Both B and C shares represent significantly less than 0.01% of the total share capital.

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2022 AGM. The Company did not purchase and of its own shares during the year. At 3 March 2022 12.5 million shares were held as treasury shares (25 February 2021: 12.5 million).

Employee share schemes

Whitbread does not have any employee share schemes with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Major interests

As at the end of the financial year, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares (the percentages shown are the percentages at the time of the disclosure and have not been re-calculated based on the issued share capital at the year-end):

	Number of shares	% of issued share capital[1]
Aberdeen Asset Management	9,155,869	4.99%
BlackRock, inc	9,105,321	6.76%
Longview Partners	9,046,346	4.48%
MFS Investment Management	8,855,756	4.82%
Vulcan Value Partners LLC	6,698,606	4.98%

1 The % of issued share capital is taken from the date of the relevant notification and changes to the voting rights since that date can cause higher numbers of shares to have lower percentages and vice versa.

No changes to the above have been disclosed to the Company in accordance with Rule 5 of the Disclosure and Transparency Rules between the end of the financial year and 27 April 2022.

Directors' report continued

Mandatory greenhouse gas reporting

In order to comply with the requirements of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have amended our environmental reporting accordingly.

We have considered the six main greenhouse gases (GHGs) and report in CO_2e for our Scope 1 (direct) and Scope 2 (indirect) CO_2 emissions. We have used the GHG Protocol Corporate Accounting and Reporting Standard methodology to calculate our emissions as well as DEFRA and International Energy Standards GHG Conversion Factors for Company Reporting.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants and offices such as natural gas and liquid petroleum gas. It also includes CO_2e from business owned vehicles which includes company cars and food logistics vehicles as we own the lease arrangements. CO_2e from company cars is calculated using the manufacturers stated performance multiplied by an uplift stated in the DEFRA standards methodology paper.

Scope 2 relates to the indirect emissions associated with the generation of the electricity consumed in our sites including district heating. When defining the scope of our data we do not report on operations under Joint Venture agreements, or are fully franchised, where we do not have operational control such as Premier Inn (UAE). For reasons of materiality, small, one man, offices in Australasia and the Far East have been excluded. All other sites throughout the world are included.

Where possible we have reported billed or AMR (Automated Meter Reading) data. For those operations which are currently beyond our reporting capabilities, we have used an estimation model based on historic budgeted or billed usage.

In 2020/21 we continued our strong track record on the energy efficiency of our estate, with a focus around utilising our remote BMS control to allow us to achieve reductions without the need to visit sites. Through this control we reduced the runtime of assets in unoccupied sites, saving energy whilst also extending the lifecycle of the assets. In addition, we utilised our energy management software throughout the year during both trading and non-trading periods to monitor and target sites to optimise energy consumption. We continued to trial new technologies, for example, we installed smart controllers to improve the efficiency of our space heating and cooling, and air source heat pumps for efficient hot water generation to reduce carbon.

In 2021/22 we were again impacted by lockdowns due to COVID-19 across our estates, with a national lockdown closing sites from March 2021 and a staggered re-opening with the majority of properties open by May 2021. We saw further closures over the Christmas period in 2021. Throughout 2021/22 we continued to implement the energy efficiency measures from the previous year as outlined above (BMS control and the use of energy management software).

In 2021/22, where possible, we have again worked to implement new technologies. For example, we have continued the replacement of grills to a more energy efficient version, this year installing 150 new grills across 103 sites, bringing the total of new grills to 520 since we started this project in 2018. This project has seen an overall 50% gas reduction in our chargrills. We also worked with an external partner to add an energy saving additive to 502 boilers across 400 of our restaurant sites. Year-on-year savings on some sites has already shown up to 10% reduction on gas use over winter. We also utilised refurbishment projects to reduce energy consumption, for example through upgrading lighting to LED's.

		2021/22			2020/21			
Source of emissions	**Scope**	**UK**	**Rest of the world**	**Total**	UK	Rest of the world	Total	**Total % change**
Gas (T CO_2e)	Scope 1	**46,770**	**2,155**	**48,925**	35,954	590	36,544	33.9%
LPG (T CO_2e)	Scope 1	**2,221**	**–**	**2,221**	2,594	–	2,594	-14.4%
Fuel oil (T CO_2e)	Scope 1	**–**	**–**	**–**	–	–	–	0.0%
F-gas (T CO_2e)	Scope 1	**7,098**	**–**	**7,098**	3,921	–	3,921	81.0%
Fleet mileage (T CO_2e)	Scope 1	**5,338**	**133**	**5,471**	3,110	85	3,195	71.2%
Electricity and district heating (location based) (T CO_2e)	Scope 2	**67,143**	**6,525**	**73,669**	51,509	3,483	54,992	34%
Electricity and district heating (market based) (T CO_2e)	Scope 2	**2,777**	**3,238**	**6,014**	2,711	2,114	4,825	24.7%
Gross emissions (location based)		**128,570**	**8,814**	**137,384**	97,088	4,157	101,245	35.7%
Gross emissions (market based)		**64,203**	**5,526**	**69,730**	48,290	2,789	51,079	36.5%
Floor area (m2)		**2,616,379**	**124,362**	**2,740,741**	2,516,989	68,821	2,585,810	6.0%
Tonnes carbon per m^2 floor area (location based)		**–**	**–**	**0.0501**	–	–	0.0392	28.0%
Tonnes carbon per m^2 floor area (market based)		**–**	**–**	**0.0254**	–	–	0.0198	28.5%
Gas (kWh)		**255,349,480**	**11,766,080**	**267,115,560**	195,542,009	3,205,701	198,747,710	34.4.%
LPG (kWh)		**9,645,034**	**0**	**9,645,034**	11,263,465	–	11,263,465	-14.4%
Fuel oil (kWh)		**–**	**–**	**–**	–	–	–	
Fleet mileage (kWh)		**21,732,565**	**461,275**	**22,193,840**	12,237,601	333,754	12,571,355	76.5%
Electricity, district heating and EV charging (kWh)		**316,220,832**	**28,462,624**	**344683,455**	220,932,960	13,272,101	234,205,061	47.2%
Self-generated electricity via solar PV (kWh)		**4,365,016**	**–**	**4,365,016**	4,406,461	–	4,406,461	-0.9%
Total (kWh)		**607,312,926**	**40,689,979**	**648,002,905**	444,382,496	16,811,556	461,194,052	40.5%

Taskforce on Climate-Related Financial Disclosures

Whitbread PLC has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. This table outlines where in the body of the full report the specific detail can be found in response to each recommendation.

Whitbread's full climate-related financial disclosure is set out in a separate document entitled 'Task Force on Climate-Related Financial Disclosures – Whitbread PLC' which can be found on our website www.whitbread.co.uk. It has been published as a separate document in order to provide its own context, impact and reporting specific to the key risks and opportunities that have been identified within it.

Recommendation	Where we've covered the recommendation in the TCFD disclosure	
Governance: Disclose the organisation's governance around climate-related risks and opportunities.		**TCFD Report page**
Describe the board's oversight of climate-related risks and opportunities.	The Governance section describes the Board's oversight of climate-related issues including the frequency by which the Board and other forums meet to consider these issues; and how it considers and implements, and monitors progress against goals and targets.	20
Describe management's role in assessing and managing climate-related risks and opportunities.	The Governance and Risk Management sections describe management's role in the assessment and management of climate-related issues including assignment of climate-related responsibilities; the associated organisational structure(s); processes by which management is informed about climate-related issues; and how management monitors climate-related issues.	20-22
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.		**Page(s)**
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The Strategy section sets out what Whitbread considers to be the relevant short, medium, and long-term time horizons, together with a description of the specific climate-related issues potentially arising and associated potential financial impact on the organisation. A description of the principal risks and opportunities is also set out in the Strategy section. The process(es) used to determine which risks and opportunities could have a material financial impact on the organisation are set out in the Risk Management section.	5
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Within the Strategy section, Whitbread describes how climate-related issues serve as an input to its financial planning process, the time period(s) used, and how these risks and opportunities are prioritised. Climate-related scenarios were used to inform the strategy and financial planning, and such scenarios have been described in the Risk Management section.	6-18
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	In the Strategy section, Whitbread has described how resilient its strategies are to climate-related risks and opportunities.	6-18
Describe the organisation's processes for identifying and assessing climate-related risks.	In the Risk Management section, Whitbread describes its risk management processes for identifying and assessing climate-related risks, including how it determines the relative significance of climate-related risks.	6-18
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks.		**Page(s)**
Describe the organisation's processes for managing climate-related risks.	In the Risk Management section, Whitbread describes its processes for managing climate-related risks, including how it makes decisions to mitigate, transfer, accept, or control those risks.	23-26
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	In the Risk Management section, Whitbread sets out how its processes for identifying, assessing and managing climate-related risks are integrated into its overall risk management.	23-26
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		**Page(s)**
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Within the Metrics & Targets section, Whitbread has disclosed the key metrics it uses to measure and manage climate-related risks and opportunities.	27-30
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Within the Metrics & Targets section, Whitbread has provided its Scope 1, Scope 2 and Scope 3 GHG emissions and the related risks.	27
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Within the Metrics & Targets section, Whitbread has described its key climate-related targets, in line with anticipated regulatory requirements, market constraints and/or other goals.	27-30

Directors' report continued

Additional Disclosures

Share capital

The table below sets out the location of information required to be disclosed in the directors' report (in accordance with Listing Rule 9.8.4R, and otherwise) which can be found in other sections of this Annual Report and Accounts and is incorporated by reference:

Item	Section
An indication of likely future developments in the business	Strategic report, pages 1 to 61
Financial risk management objectives and policies	Financial statements, Note 24, page 175
Research and development	N/A
Existence of branches	N/A
Post balance sheet events	Financial statements, Note 34, page 190
Stakeholder and employee engagement	Stakeholder engagement, pages 51 to 54
Conflicts of interest	Corporate governance report, page 74
Statement of capitalised interest	Financial statements, Note 8, page 155
Long-term incentive schemes	Remuneration report, pages 87 to 111

Details on Whitbread's compliance with Disclosure Guidance and Transparency Rules 7.2 can be found on this page.

Additional information

Stakeholder engagement

Information on how the directors engage with Whitbread's different stakeholders, including shareholders, employees and customers, and on how directors have regard to stakeholders' interests and the need to foster stakeholder relationships when making decisions can be found in the stakeholder engagement section on pages 51 to 54.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities.

Environmental policies

Whitbread businesses depend upon the environment to operate hotels and restaurants through the energy we use and the services and products we provide to our customers. Our main environmental impacts are from the use of natural resources, water consumption and generation of residual waste and from GHG emissions associated with energy and fuel use.

Whitbread's strategic drive is provided by the corporate responsibility Force for Good programme which includes energy, water and waste reduction activities. We are committed to minimising our impact on the environment, preventing pollution and promoting good environmental practices. Further details can be found on pages 36 to 49.

Employee involvement

The importance of good relations with our teams is fundamental to our culture and the success of our business. Across the UK and Germany, across our sites and Support Centres, we regularly ask all our employees for their views, through regular pulse surveys. Every employee has an opportunity to participate in these surveys, and action plans are created by site/business area.

Our Employee Forum, which we call Our Voice, is made up of formally elected representatives from across our hotels, restaurants and Support Centres. Our Voice is designed to connect our senior leaders with our front-line teams for two-way conversations about the business, ensuring employee views are properly represented. More detail can be found on page 65.

Our employees are actively encouraged to take part in our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%.

Regular internal communications are made to all employees to ensure that they are kept well informed about the performance of Whitbread, and of financial and economic factors that may affect the Company's performance.

Amendment of the Company's articles of association
Any amendments to the articles of association of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Significant agreements
The Company's facility, bond and private placement loan notes agreements, details of which can be found in Note 25 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements
The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Post balance sheet events
Information on post balance sheet events is provided in Note 34 to the accounts.

Political donations
The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Auditor
Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2022 AGM. After proper consideration, the Audit Committee is satisfied that Deloitte LLP continues to be objective and independent of the Company. In coming to this conclusion, the Audit Committee gave full consideration to any non-audit work carried out by Deloitte LLP, and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference.

Disclosure of information to auditor
The directors have taken all reasonable steps to make themselves aware of relevant audit information and to ensure that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 61. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Chief Financial Officer's review on pages 30 to 33.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

The directors have outlined the assessment approach for going concern in the accounting policy disclosure in Note 2 of the consolidated financial statements. Following that review the directors have concluded that the going concern basis remains appropriate.

The viability statement can be found on page 61.

Annual general meeting
The AGM will be held at on 15 June 2022 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents and is available at www.whitbread.co.uk for those who have elected to receive documents electronically.

Approved by the Board on 27 April 2022 and signed.

Chris Vaughan
General Counsel and Company Secretary

Registered Office:
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE
Registered company number: 04120344

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to

› select suitable accounting policies and then apply them consistently;

› make judgements and accounting estimates that are reasonable and prudent;

› state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and

› prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

› properly select and apply accounting policies;

› present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

› provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

› make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

› the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;

› the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

› The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 27 April 2022 and is signed on its behalf by:

By order of the Board

Alison Brittain

Chief Executive

Hemant Patel

Chief Financial Officer

ASSURANCE STATEMENT

The nature of the assurance

This is a report by Corporate Citizenship for the Management of Whitbread.

Corporate Citizenship has undertaken limited assurance of certain selected environmental and sustainability performance data against HM Government Environmental Reporting Guidelines (March 2019), the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the GRI Principles of Accuracy, Clarity, Comparability, Completeness, Timeliness and Verifiability, as described below:

Pillar	Target	Statements to Assure
Opportunity	More diversity in leadership population with 8% ethnic minority and 40% female representation in our top 100 by the end of 2023	Progress against targets in FY21/22 – we have 41.67% female representation and 4.8% ethnic minority representation in our leadership population as of 28th February 2022. (Leadership community is defined by all roles at grades C20+ that are UK based)
	Through our apprenticeship programmes we will support people to find and develop their hospitality careers	274 of our teams have completed their apprenticeships this year (2021/22)
Community	For every new site we will donate our time to actively supporting local community activity	200 hours donated to local communities through new site openings
		784 new team members join Whitbread directly though New Sites Opening this year/We created 784 new jobs through new site openings this year
	Raise £20m for GOSH Charity, raise £3m each year for our charity partner	We raised £1.7 million in 21/22, creating a total amount of £20 million raised throughout our partnership with GOSH Charity. We started our partnership in 2012.
	Public Health England 20% Sugar Reduction	This year we have reduced the sugar in our Beefeater and Brewer's Fayre puddings by 5.8% and 11% respectively against a baseline of 2015 as part of the Office for Health Improvement and Disparities sugar reduction programme.
Responsibility	Whitbread's critical commodities accredited against robust standards	We were thrilled to have reached our whole shell egg target (100% cage free status on all whole shell eggs by the end of 2020) two years early
		We are working hard to meet our ingredient egg target by 2025 with 52.6% of our 2021/22 ingredient egg requirement sourced from cage free hens* (*for UK sites only).
		100% of our raw beef range in the UK is produced to a recognised farm assurance scheme in its country of origin such as Red Tractor.
		Our Business Benchmark on Farm Animal Welfare (BBFAW) 2021 was tier 3 rating
		In 2020 we became the first UK budget hotel chain to become members of Better Cotton (formally 'The Better Cotton Initiative')
		In collaboration with our laundry suppliers and Better Cotton we have begun to develop new ways of working to deliver sustainable cotton for rented linen, which the hospitality industry relies on. In 2021, with one of our hotel laundry suppliers alone, we achieved 76% of the cotton in replenished hotel laundry sourced as more sustainable cotton, through Better Cotton; an ISEAL accredited standard system.
		For our guest buys the bed sales 15% of the cotton in 2021, was sourced as more sustainable cotton, through Better Cotton too.
		This year we became RSPO (Roundtable Sustainable Palm Oil) supply chain certified. This means we now have certified processes and systems to maintain the chain of custody of certified Palm Oil in our organisation.
		We are the first pub or hotel group to have this certification.
	100% of our suppliers risk assessed against Force for Good criteria	100% of our supplier are risk assessed.
	We will cut food waste by 50% by 2030	32.34% reduction from our 2018 baseline year
		621,988 meals donated to charity
	We will become Net Zero for carbon emissions by 2040	50.07% Scope 1 and 2 intensity reduction from our 2016/17 baseline year
	We will not send any waste to landfill	99.91% of our operational waste diverted from landfill

Assurance statement continued

Whitbread is entirely and solely responsible for the production and publication of the data assured, Corporate Citizenship for its assurance.

This engagement was performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements).

GHG quantification is subject to inherent uncertainty due to factors such as incomplete scientific knowledge about the global warming potential of different GHGs and uncertainty around the models and parameters used in estimating GHG emissions.

Corporate Citizenship has complied with the requirements for independence, professional ethics and quality control as stipulated by ISAE 3000 (2020) Requirement 3a and 3b.

Assurance work performed

The assurance work was commissioned in August 2021 and was completed on 7 April 2022. Detailed records were kept of meetings and correspondence relating to the assurance. A team of four, led by a Director, undertook the assurance and commentary process. An assurance specialist director acted as adviser to the group.

The assurance engagement was undertaken to a limited level, and involved the following activities:

- A review of underlying data sources and substantiating evidence to support this year's reporting, to assess robustness of monitoring and reporting systems;
- A review of the activity data for energy (process, building and company vehicles), travel, water and waste;
- A review of year-on-year performance trends to identify any significant changes in operational eco-efficiency and investigate the reasons behind these trends;
- A review of GHG calculations for accuracy and consistency with best practice guidelines;
- A review of the data collation tools and processes for charitable donations, sustainable sourcing of key commodities, human rights assessments and waste;
- A review of the calculation methodologies behind Whitbread's market-based Scope 2 emissions, including evidence of renewable electricity purchases;
- A review of data consolidation and aggregation;
- A review of group reporting to check for errors or omissions in data analysis, consistency with underlying data sets and reasonableness of reporting.

Independence

We have worked with Whitbread since 2002 and have provided assurance since 2007. During 2021/2022, except as noted below, our work with Whitbread focused on assurance, assistance with developing Whitbread's Task Force on Climate-related Financial Disclosures and the S&P Global Corporate Sustainability Assessment (DJSI).

Conclusion

Based on the scope of work and assurance procedures performed, nothing has come to our attention that causes us to believe that the selected environmental and sustainability performance data is not prepared, in all material respects, in accordance with the HM Government Environmental Reporting Guidelines (March 2019), the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the GRI Principles of Accuracy, Clarity, Comparability, Completeness, Timeliness and Verifiability.

Corporate Citizenship Limited
London
7 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- the financial statements of Whitbread plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 3 March 2022 and of the Group's profit for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Parent Company statements of changes in equity;
- the Consolidated and Parent Company balance sheets;
- the Consolidated cash flow statement;
- the related Notes to the consolidated financial statements 1 to 35, including the accounting policies; and
- the related notes to the Parent Company financial statements 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: › Impairment and impairment reversals of property, plant and equipment and right-of-use assets; and › Recognition of UK and Germany government grants. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
MATERIALITY	The materiality that we used for the Group financial statements was £16.0 million (2021: £16.0 million) which was determined on the basis of 0.38% (2021: 0.42%) of net assets.
SCOPING	We focused our Group audit scope primarily on all significant trading entities at Premier Inn in the UK and the Group head office, with specified audit procedures performed for the Germany business. These locations represent the principal business units and account for 97% of the Group's revenues and 92% of the Group's net assets.
SIGNIFICANT CHANGES IN OUR APPROACH	The following changes have been made to our approach for the following key audit matters: › *Impairment and impairment reversals of property, plant and equipment and right-of-use assets* – There continues to be significant judgement and complexity in the cash flow forecasting required for the impairment reviews required under IAS 36 Impairment of Assets. Given the recovery of demand in the industry during the period, we have extended the scope of our work to include the appropriateness of any potential reversal of impairments on previously impaired sites. › *Recognition of UK and Germany government grants* – In the prior period, we identified a key audit matter relating to the presentation and accuracy of amounts received from government support in the UK, through the Coronavirus Job Retention Scheme. In the current period we have extended the scope of work to include government grants received in Germany as well as the UK. Our 2021/22 audit report no longer includes the following as key audit matters: › *Going concern* – Due to the continued market recovery during the period, we do not consider the assessment of the use of the going concern basis of accounting to be as complex for the current period compared to the prior period. › *Impairment of goodwill relating to the Germany cash generating unit* – The full goodwill amount relating to the Germany cash generating unit was impaired in the prior period and therefore is not considered relevant for the current period.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included consideration of the following matters:

- obtained confirmation of the financing facilities including nature of facilities, repayment terms and covenants;
- assessed the reasonableness of the assumptions used in management's three-year business plans including the base case scenario, severe but plausible scenario, and reverse stress test scenario;
- tested the clerical accuracy and assessed the models used to prepare the business plans; this work included obtaining an understanding of the relevant controls over management's model;
- considered the amount of headroom in the business plans with regards to liquidity and covenants;
- assessed the sensitivity of the headroom in management's business plans; and
- assessed the appropriateness of the Group's disclosure concerning the going concern basis.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment and impairment reversals of property, plant and equipment and right-of-use assets

KEY AUDIT MATTER DESCRIPTION

As described in Note 15 (Impairment), Note 14 (Property, plant and equipment) and Note 22 (Lease Agreements) of the financial statements, the Group held £4,227.1 million (2021: £4,234.7 million) of Property, plant and equipment and £3,267.6 million (2021: £2,738.4 million) of Right-of-use assets at 3 March 2022.

Under IAS 36 Impairment of Assets, the Group is required to complete an impairment review of its site portfolio where there are indicators of impairment. In the prior year, an impairment of £97.9 million was recognised as a result of the expected impact of the COVID-19 pandemic on short-term and longer term cash flows, which are key assumptions in the impairment assessment.

In the current year, there continues to be significant judgement and complexity in the cash flow forecasting given the ongoing impact of the COVID-19 pandemic. The recovery of cash flow forecasts across some sites during the year means the Group is also required to consider if any reversal of impairment losses previously recognised is required. In the current year, the Group has recognised an impairment of £10.5 million as well as impairment reversals of £52.5 million.

Estimation is required in determining the recoverable amount of the Group's portfolio of sites. There is a risk that the carrying value of sites (including the Property, Plant and Equipment and Right-of-use assets) may be higher than the recoverable amount, which would indicate an impairment is required. There is also a risk that the recoverable value of previously impaired sites is higher than the carrying value, which would indicate an impairment reversal is required. Where an impairment review is performed, the recoverable amount is determined based on the higher of 'value-in-use' or 'fair value less costs of disposal' (which is determined through the use of either a discounted cash flow method using a market based discount rate or an industry valuation methodology).

There are several judgements in assessing the appropriate valuation, which are set out below:

- Determining the cash-generating units (CGUs) that show indicators of impairment or impairment reversal. A CGU is determined to be each individual trading outlet;
- Calculation of the appropriate discount and long-term growth rates;
- Estimates of future trading earnings and cash flow projections, including the recovery profile post COVID-19;
- Assessing the future growth profile of sites which have not yet reached maturity;
- Appropriateness of the valuation methodology, as well as inputs to these; and
- Estimating a reasonable possible change in assumptions for the purpose of sensitivity analysis.

The Group's accounting policy on impairment and key sources of estimation uncertainty in relation to impairment testing are set out in Note 2. In addition, Impairment testing – property, plant and equipment and right-of-use assets is also a significant matter considered by the Audit Committee, as discussed on page 81.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	In responding to the identified key audit matter, we completed the following audit procedures: › Obtained an understanding of the key controls relating to the impairment review process and determination of cash flow forecasts; › Challenged the valuation methodologies adopted by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36 and IFRS 13 *Fair Value Measurement*; › Tested the mechanical accuracy of the impairment models, with input from our analytics and modelling specialists; › Assessed the completeness of CGUs displaying impairment indicators or impairment reversal indicators by challenging a sample of CGUs for which no indicators had been identified; › Assessed the appropriateness of the discount rates applied in conjunction with our internal valuation specialists and compared the rates applied with our internal benchmarking data; › Assessed the appropriateness of forecast revenue and margin growth rates through comparison to board approved plans with reference to historical forecasting accuracy, external market data (such as industry forecasts); we worked with our industry specialists to help inform our challenge, particularly focusing on the expected recovery for FY23 as COVID-19 restrictions are eased, and longer term expectations; › Performed testing on a sample of sites where impairment had been recognised, sites where impairment had been indicators identified, but no impairment recognised and sites which indicated an impairment reversal was required; we challenged the individual circumstances of these sites and whether the rationale for management's conclusion was appropriate. In order to perform this assessment, we reviewed the trading history of the site, understood its current performance with reference to market data and challenged the appropriateness of Group-wide forecasts being applied; › Assessed the sensitivity analysis performed by management and challenged how this correlated with the downside scenarios modelled by the Board (consistent with the going concern assessment); and › Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular Note 15.
KEY OBSERVATIONS	Based on the audit procedures performed, we are satisfied that the impairment and impairment reversals recognised in the year are appropriate. We consider the disclosures, including the sensitivities in Note 15, to be appropriate.

5.2. Recognition of UK and Germany government grants

KEY AUDIT MATTER DESCRIPTION	As described in Note 9 (Government grants and assistance), during the year, the Group received government support designed to mitigate the impact of COVID-19. In the UK, the Government has provided funding towards the salary costs of employees who have been furloughed through the Coronavirus Job Retention Scheme ("CJRS"). In Germany, the Government has provided reimbursement of eligible fixed costs incurred by entities impacted by COVID-19 through the Corona Bridging Aid for Small and Medium-Sized Enterprises. This government funding meets the definition of a government grant under IAS 20 Government Grants and a total of £113.8 million (2021: £153.4 million) has been recorded within Other Income. IAS 20 requires that government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received. The application of the rules of both the UK and Germany government funding schemes is complex. Additionally there is a risk that income is not recorded in the correct period (when the IAS 20 recognition criteria is met). Management has engaged external advisors to review a sample of the UK submitted claims to assess the accuracy of the calculations and the application of the scheme rules. Under IAS 20, there is a choice to account for the grant as Other Income or net of costs. Management has concluded that the clearest presentation is as Other Income. Furthermore, as described in the Audit Committee report on page 81 and the Accounting Policies (Note 2),the classification and presentation of income and costs as Adjusting items in the Income Statement (to derive 'Adjusted profit before tax' and other adjusted measures) is a judgement and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as adjusting. Management has determined that the government grants do not meet the definition of an adjusting item on the basis that the funding is compensation for costs that form part of the normal operations of the business. Similarly, the costs for which the government grants compensate have not been classified as adjusting and therefore the related income has not been classified as an adjusting item. We consider the recognition of UK and Germany government grants to be a key audit matter.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	In responding to the identified key audit matter, we completed the following audit procedures: › Obtained an understanding of the relevant controls in place and the process that management followed in calculating, accounting for and presenting the government grants; › In understanding the process, reviewed the external advisor's reports and evaluated any observations from the reports and management's responses to them; › With input from our specialists, selected a sample of models used to determine the grant claims and challenged the approach to calculating claims and the application of the scheme rules; › With input from our specialists, recalculated a sample of claims to assess whether eligibility conditions have been met and the calculations are accurate; › Traced a sample of claims to underlying payroll records and traced all cash received to support; › Reviewed correspondence between management and the relevant government authorities; › Assessed whether the disclosures are in line with IAS 20 Government Grants requirements; › Challenged management on the judgement exercised in classifying the government grant income as a non-adjusting item; and › Evaluated the status of claims spanning the year-end including assessing the likelihood of challenge for claims not yet formally approved, in order to determine whether these have been accounted for correctly as at 3 March 2022.
KEY OBSERVATIONS	Where management has applied judgement in the interpretation of the scheme rules, we are satisfied that the judgments are reasonable. We consider the accounting for balances at the balance sheet date to be reasonable. We are satisfied that the recognition of UK and Germany government grants is appropriate.

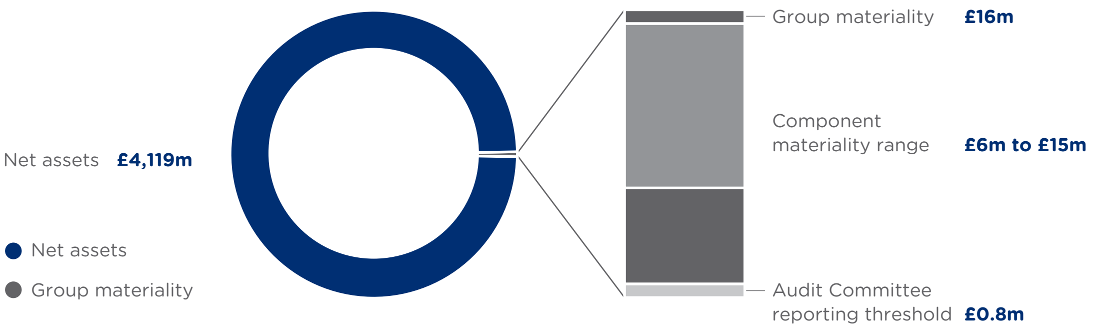
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
MATERIALITY	£16.0 million (2021: £16.0 million)	£13.6 million (2021: £6.4 million)
BASIS FOR DETERMINING MATERIALITY	We have determined materiality to be £16.0 million, which represents 0.38% (2021:0.42%) of net assets. The approach is consistent with the prior year.	Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 85% (2021: 40%) of Group materiality. The increase in the cap was due to decreased complexity and uncertainty associated with the impact of the COVID-19 pandemic, compared to the prior year.
RATIONALE FOR THE BENCHMARK APPLIED	In determining our benchmark for materiality we considered the impact of COVID-19 on the financial performance and position of the Group in the current year, as well as the focus of the users of the financial statements. After due consideration, we determined that net assets was the most appropriate benchmark to use, consistent with the prior year.	The entity is non-trading and contains an investment in all of the Group's trading components and as a result, in line with prior year, we have determined materiality on the basis of net assets for the current year.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
PERFORMANCE MATERIALITY	70% (2021: 65%) of Group materiality	70% (2021: 65%) of Parent Company materiality
BASIS AND RATIONALE FOR DETERMINING PERFORMANCE MATERIALITY	In determining performance materiality for both the Group and the Parent Company, we considered the following factors: – Our risk assessment, including our assessment of the Group's overall control environment; – Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods; and – The decreased complexity and uncertainty associated with the impact of the COVID-19 pandemic on the financial statements compared to the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2021: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

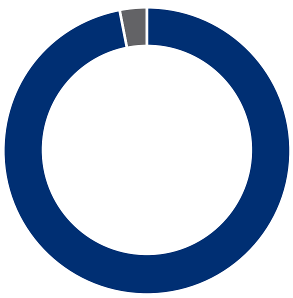
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement. Based on our assessment, we have focused our audit on the UK business, which was subject to full audit procedures, and performed specified audit procedures in the Germany business. This work was performed by the Group audit team, with the assistance of component auditors in Germany.

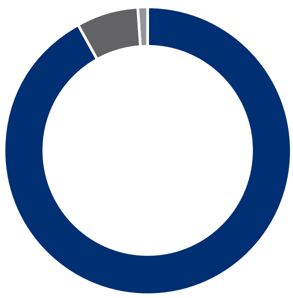
At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures. We have also performed analytical review procedures on other wholly owned and joint venture businesses.

Revenue



- Full audit scope 97%
- Review at group level 3%

Net assets



- Full audit scope 92%
- Specified audit procedures 7%
- Review at group level 1%

7.2. Our consideration of the control environment

The Whitbread IT landscape contains a number of IT systems, applications and tools used to support business processes and for reporting. In line with our scoping of components (refer to section 7.1) our work in relation to IT controls focuses on the UK component. We perform an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the Group's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

We performed testing of General IT Controls ("GITCs") of these systems, typically covering controls over user access management, change management and interfaces with other systems relating to in scope IT systems (such as Oracle Fusion) as well as controls over key reports generated from the IT systems and their supporting infrastructure (database and operating system).

In order to evaluate IT controls, we performed walkthrough procedures of relevant controls in key business cycles, including revenue, property, plant and equipment, intangible assets and expenditure (processed through Oracle Fusion) to understand whether the purpose of the control was effectively designed to address the IT related risk. We then performed testing of the control across the audit period, to determine whether the control had been consistently applied as designed.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles, where audit quality and effectiveness are enhanced by doing so. Where control deficiencies were identified during our testing, we were able to identify and test mitigating controls. Based on the testing performed, we adopted a controls reliance approach over the processes supporting revenue, expenditure (processed through Oracle Fusion), additions to property plant and equipment and intangible assets.

As described on page 81 of the Audit Committee report, during the year management presented a review to the Committee of the controls over the processes for determining the valuation of deferred tax assets and liabilities. This included a review of controls implemented during the year as well as plans to embed further enhancements in the wider tax processes during the coming year. We performed walkthrough procedures to determine whether the controls implemented in the year were effectively designed.

7.3. Our consideration of climate-related risks

As described on pages 48 and 49, the Group has assessed the risks and opportunities associated with various future climate-related scenarios. The Group's full TCFD report outlines the process they have taken to identify the principal climate-related issues which have affected and will potentially affect the business. We have considered the Group's assessment of the impact of these risks and the opportunities on the financial statements and their conclusion (disclosed in Note 2 to the financial statements) that there is no material impact on the financial performance and position of the Group. We also read the full TCFD report to consider whether it is materiality consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The Group audit team is responsible for the scope and direction of the audit process and provides direct oversight, review and coordination of our component audit teams. During the current year we engaged component auditors from the Deloitte member firm in Germany to perform specific procedures on the German entities. This approach allowed us to engage local auditors who have appropriate knowledge of local regulations to perform this audit work. We issued detailed instructions to the component auditor and directed and supervised their work.

We interacted regularly with the component Deloitte team during each stage of the audit and reviewed key working papers. We maintained continuous and open dialogue with our component teams in addition to holding formal meetings so that we were fully aware of their progress and results of their procedures.

8. Other information

The other information comprises the information included in the annual report, being the strategic reports on pages 2 to 61 and the governance reports on pages 62 to 118, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, General Counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team, component audit team and relevant internal specialists, including tax, valuations, pensions, IT, financial instrument and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: impairment and impairment reversals of property, plant and equipment and right-of-use assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the Listing Rules, UK corporate governance legislation, pension legislation and UK and overseas tax legislation, including that associated with government support schemes available as a result of COVID-19.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment and impairment reversals of property, plant and equipment and right-of use assets as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and General Counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 117;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 61;
- the directors' statement on fair, balanced and understandable set out on page 74;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 81;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and
- the section describing the work of the Audit Committee set out on page 80.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in this regard.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in this regard.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members on 21 June 2015 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 3 March 2016 to 3 March 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Kate J Houldsworth FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
27 April 2022

CONSOLIDATED ACCOUNTS 2021/22

Contents

CONSOLIDATED INCOME STATEMENT

Year ended 3 March 2022

		53 weeks to 3 March 2022			52 weeks to 25 February 2021		
	Notes	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Revenue	3	**1,703.4**	**–**	**1,703.4**	588.9	0.5	589.4
Other income	4	**122.4**	**8.7**	**131.1**	161.8	6.3	168.1
Operating costs	5	**(1,671.1)**	**65.3**	**(1,605.8)**	(1,231.4)	(351.7)	(1,583.1)
Impairment of loans to joint ventures	16	**(1.8)**	**–**	**(1.8)**	–	(5.8)	(5.8)
OPERATING PROFIT/(LOSS) BEFORE JOINT VENTURES		**152.9**	**74.0**	**226.9**	(480.7)	(350.7)	(831.4)
Share of profit/(loss) from joint ventures	16	**0.4**	**–**	**0.4**	(6.0)	(1.7)	(7.7)
OPERATING PROFIT/(LOSS)	3	**153.3**	**74.0**	**227.3**	(486.7)	(352.4)	(839.1)
Finance costs	8	**(173.6)**	**–**	**(173.6)**	(153.8)	(21.2)	(175.0)
Finance income	8	**4.5**	**–**	**4.5**	5.4	1.3	6.7
(LOSS)/PROFIT BEFORE TAX	3	**(15.8)**	**74.0**	**58.2**	(635.1)	(372.3)	(1,007.4)
Tax credit/(expense)	10	**10.7**	**(26.4)**	**(15.7)**	94.1	6.8	100.9
(LOSS)/PROFIT FOR THE YEAR		**(5.1)**	**47.6**	**42.5**	(541.0)	(365.5)	(906.5)

EARNINGS PER SHARE

(Note 11)

	53 weeks to 3 March 2022			52 weeks to 25 February 2021		
	pence	pence	pence	pence	pence	pence
Basic	**(2.5)**	**23.6**	**21.1**	(287.6)	(194.3)	(481.9)
Diluted	**(2.5)**	**23.4**	**20.9**	(287.6)	(194.3)	(481.9)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 3 March 2022

	Notes	**53 weeks to 3 March 2022 £m**	52 weeks to 25 February 2021 £m
PROFIT/(LOSS) FOR THE YEAR		**42.5**	(906.5)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT:			
Remeasurement gain/(loss) on defined benefit pension scheme	32	**318.8**	(16.3)
Current tax on defined benefit pension scheme	10	**(2.3)**	2.7
Deferred tax on defined benefit pension scheme	10	**(88.0)**	(2.4)
		228.5	(16.0)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Net gain on cash flow hedges	25	**2.4**	2.3
Deferred tax on cash flow hedges	10	**(0.5)**	(0.6)
Net gain/(loss) on hedge of a net investment	25	**9.0**	(8.5)
Deferred tax on net (gain)/loss on hedge of a net investment	10	**(0.8)**	0.8
Cost of hedging	25	**2.5**	–
		12.6	(6.0)
Exchange differences on translation of foreign operations		**(16.0)**	19.3
Deferred tax on exchange differences on translation of foreign operations	10	**2.7**	(1.5)
		(13.3)	17.8
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**227.8**	(4.2)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**270.3**	(910.7)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 3 March 2022

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Other reserves (Note 28) £m	Total £m
At 27 February 2020	112.9	90.8	50.2	5,861.9	18.6	(2,385.6)	3,748.8
Loss for the year	–	–	–	(906.5)	–	–	(906.5)
Other comprehensive income	–	–	–	(16.0)	10.1	1.7	(4.2)
Total comprehensive income	–	–	–	(922.5)	10.1	1.7	(910.7)
Ordinary shares issued on exercise of employee share options (Note 27)	0.1	2.8	–	–	–	–	2.9
Ordinary shares issued on rights issue (Note 27)	51.7	929.3	–	–	–	–	981.0
Loss on ESOT shares issued	–	–	–	(6.7)	–	6.7	–
Accrued share-based payments (Note 31)	–	–	–	14.0	–	–	14.0
Tax on share-based payments	–	–	–	(1.9)	–	–	(1.9)
AT 25 FEBRUARY 2021	**164.7**	**1,022.9**	**50.2**	**4,944.8**	**28.7**	**(2,377.2)**	**3,834.1**
Profit for the year	**–**	**–**	**–**	**42.5**	**–**	**–**	**42.5**
Other comprehensive income	**–**	**–**	**–**	**228.5**	**(4.4)**	**3.7**	**227.8**
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**271.0**	**(4.4)**	**3.7**	**270.3**
Ordinary shares issued on exercise of employee share options (Note 27)	**0.1**	**1.8**	**–**	**–**	**–**	**–**	**1.9**
Loss on ESOT shares issued	**–**	**–**	**–**	**(3.2)**	**–**	**3.2**	**–**
Accrued share-based payments (Note 31)	**–**	**–**	**–**	**12.9**	**–**	**–**	**12.9**
Tax on share-based payments	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
AT 3 MARCH 2022	**164.8**	**1,024.7**	**50.2**	**5,225.3**	**24.3**	**(2,370.3)**	**4,119.0**

CONSOLIDATED BALANCE SHEET

At 3 March 2022

	Notes	3 March 2022 £m	25 February 2021 £m
NON-CURRENT ASSETS			
Intangible assets	13	**159.3**	159.1
Right-of-use assets – property, plant and equipment	22	**3,267.6**	2,738.4
Right-of-use assets – investment property[1]	22	**–**	65.0
Property, plant and equipment	14	**4,227.1**	4,213.1
Investment property	14	**–**	21.6
Investment in joint ventures	16	**41.1**	37.3
Derivative financial instruments	25	**15.8**	6.6
Defined benefit pension surplus	32	**522.6**	188.0
		8,233.5	7,429.1
CURRENT ASSETS			
Inventories	17	**19.4**	12.1
Derivative financial instruments	25	**–**	8.2
Trade and other receivables	18	**116.4**	74.2
Cash and cash equivalents	19	**1,132.4**	1,256.0
		1,268.2	1,350.5
Assets classified as held for sale	14	**64.8**	19.0
TOTAL ASSETS		**9,566.5**	8,798.6
CURRENT LIABILITIES			
Borrowings	20	**–**	312.0
Lease liabilities	22	**129.3**	112.1
Provisions	23	**19.6**	30.5
Derivative financial instruments	25	**–**	2.4
Current tax liabilities		**–**	1.8
Trade and other payables	26	**570.7**	316.5
		719.6	775.3
NON-CURRENT LIABILITIES			
Borrowings	20	**991.9**	990.5
Lease liabilities	22	**3,572.5**	3,119.5
Provisions	23	**11.7**	9.0
Deferred tax liabilities	10	**150.6**	44.6
Trade and other payables	26	**1.2**	25.6
		4,727.9	4,189.2
TOTAL LIABILITIES		**5,447.5**	4,964.5
NET ASSETS		**4,119.0**	3,834.1
EQUITY			
Share capital	27	**164.8**	164.7
Share premium	28	**1,024.7**	1,022.9
Capital redemption reserve	28	**50.2**	50.2
Retained earnings	28	**5,225.3**	4,944.8
Currency translation reserve	28	**24.3**	28.7
Other reserves	28	**(2,370.3)**	(2,377.2)
TOTAL EQUITY		**4,119.0**	3,834.1

1 Right-of-use assets – investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which was subleased to a third party (see Note 22).

Alison Brittain

ALISON BRITTAIN CHIEF EXECUTIVE **HEMANT PATEL** CHIEF FINANCIAL OFFICER 27 April 2022

CONSOLIDATED CASH FLOW STATEMENT

Year ended 3 March 2022

	Notes	**53 weeks to 3 March 2022 £m**	52 weeks to 25 February 2021 £m
CASH GENERATED FROM/(USED IN) OPERATIONS	29	**693.7**	(227.0)
Payments against provisions		**(18.9)**	(24.4)
Pension payments	32	**(14.8)**	(14.8)
Interest paid – lease liabilities	22	**(133.2)**	(123.2)
Interest paid – other		**(20.2)**	(22.0)
Interest received		**2.2**	1.2
Corporation taxes (paid)/received		**(0.1)**	19.1
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**508.7**	(391.1)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment and investment properties	3	**(200.4)**	(217.4)
Proceeds from disposal of property, plant and equipment		**56.4**	2.6
Investment in intangible assets	13	**(21.1)**	(10.8)
Acquisition of a subsidiary, net of cash acquired		**–**	1.4
Cash flows on aborted acquisition		**–**	1.3
Payment of deferred and contingent consideration	26	**(36.3)**	(3.8)
Capital contributions to joint ventures	16	**(1.4)**	(1.3)
Loans advanced to joint ventures	16	**(1.8)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(204.6)**	(228.0)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Proceeds from issue of shares on exercise of employee share options	27	**1.9**	2.9
Proceeds from issue of shares on rights issue, net of fees		**–**	981.0
Drawdowns of long-term borrowings		**50.0**	596.8
Repayments of long-term borrowings		**(353.9)**	(125.1)
Costs of long-term borrowings		**–**	(5.5)
Lease incentives received/(paid)		**2.0**	(7.3)
Payment of principal of lease liabilities		**(127.1)**	(71.7)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(427.1)**	1,371.1
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	21	**(123.0)**	752.0
Opening cash and cash equivalents	21	**1,256.0**	502.6
Foreign exchange differences	21	**(0.6)**	1.4
CLOSING CASH AND CASH EQUIVALENTS	19	**1,132.4**	1,256.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 3 March 2022

1 GENERAL INFORMATION AND AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Whitbread PLC for the year ended 3 March 2022 were authorised for issue by the Board of Directors on 27 April 2022. Whitbread PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange. The address of the registered office is shown on page 117.

Whitbread PLC, its subsidiaries and joint ventures, operate hotels and restaurants, located in the UK and internationally.

2 ACCOUNTING POLICIES

Basis of accounting and preparation

The consolidated financial statements of Whitbread PLC and all its subsidiaries have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period and the defined benefit pension scheme, as explained in the accounting policies below.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

Going concern

The Group's and Company's (the 'Group') business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 61. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 26 to 33. The principal risks of the Group are set out on pages 56 to 60. In addition, Note 24 includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure.

The directors have considered these areas alongside the principal risks and how they may impact going concern. Details of the Group's available and drawn facilities are included in Note 20. At 3 March 2022, the Group had a cash balance of £1,132.4m with available borrowing facilities of £1,850.0m for use in the going concern assessment, of which £1,000.0m had been drawn down.

The Group's forecasts indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its covenants as outlined in Note 20 for at least a period of 12 months from the date of these financial statements. Various downside scenarios over and above those already included in the base case have been considered in respect of these forecasts. Under these downside scenarios, the Group can meet its liquidity requirements through available funds and is able to meet the original covenants in place on its revolving credit facility, allowing the Group to terminate the covenant test waiver period and be able to make a dividend payment. The Group has no further financial covenants in place.

In the event that it was necessary to access additional funding, the directors have a reasonable expectation that this could be achieved.

The directors have also determined that, over the period of the going concern assessment, there is not expected to be a significant impact as a result of climate change.

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

2 ACCOUNTING POLICIES CONTINUED

Changes in accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 25 February 2021, except for the adoption of the new standards and policies applicable for the year ended 3 March 2022. The significant accounting policies adopted are set out below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 26 February 2021.

Covid-19-Related Rent Concessions Beyond 30 June 2021 **(Amendment to IFRS 16)**

In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and

c) there is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

Impact of adoption

As a result of early adopting these requirements, rent deferrals which would otherwise have been treated as lease modifications have been accounted for as if the change was not a lease modification. The adoption of the amendments had no impact on the consolidated income statement.

Other IFRS Standards and Interpretations

In addition, the Group has also adopted Interest Rate Benchmark Reform – Phase 2 which has been assessed as having no financial impact or disclosure at this time.

2 ACCOUNTING POLICIES CONTINUED

Standards issued by the IASB not effective for the current year and not early adopted by the Group

Whilst the following standards and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:

- IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Disclosure of Accounting Policies (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use (effective for periods beginning on or after 1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 – Sale or contribution of Assets Between an Investor and its Associate or Joint Venture
- Amendments to IAS 8 Definition of Accounting Estimate (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods beginning on or after 1 January 2023)
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The Group does not intend to early adopt any of these new standards or amendments.

Basis of consolidation

The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures incorporated using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies. The financial statements of significant trading subsidiaries are prepared for the same reporting year as the parent company.

A subsidiary is an entity controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

2 ACCOUNTING POLICIES CONTINUED

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and any equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

When the consideration transferred by the Group in a business combination includes contingent consideration, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Changes in the fair value of the contingent consideration at subsequent reporting dates that do not qualify as measurement period adjustments are recognised within finance costs in the consolidated income statement, unless the contingent consideration is classified as equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the value of the Group's interest in the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is not amortised but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised at fair value, separately from goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

Amortisation of IT software and technology is calculated on a straight-line basis over the estimated life which varies between three and ten years.

The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Property, plant and equipment

Property, plant and equipment acquired separately from a business are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Property, plant and equipment acquired as part of a business combination are recognised at fair value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 25 years.

The residual values and estimated useful lives are reviewed annually.

Profits or losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the consolidated income statement.

2 ACCOUNTING POLICIES CONTINUED

Investment property

Investment property assets, including properties which are owned by the Group and properties which are leased by the Group, are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

Leases

Right-of-use assets

The Group recognises right-of-use assets for hotel and restaurant properties which are used in the Premier Inn business and other equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the shorter of its estimated useful life and lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate (e.g. turnover rent) are recognised as an expense in the period over which the event or condition that triggers the payment occurs. The Group incurs service charges on property leases which are non-lease components of the contract under IFRS 16 and therefore these charges are recorded separately within operating costs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental borrowing rates are determined quarterly and depend on the country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on Government bond rates; a country specific risk adjustment; and a credit risk adjustment based on the Group's credit rating.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or a change in the lease term. Cash outflows relating to lease interest are recorded within net cash flows from operating activities and cash outflows relating to principal repayments are included within net cash flows from financing activities in the consolidated cash flow statement.

Sale and leaseback

A sale and leaseback transaction occurs when the Group sells an asset and immediately reacquires the use of the same asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the carrying value relating to the right retained. Any gain or loss arising relates to the rights transferred to the buyer.

Rental income

The Group recognises rental income from leases on a straight-line basis over the lease term within other income in the consolidated income statement.

Impairment of non-current assets

Property, plant and equipment and right-of-use assets

The carrying values of property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purposes of the impairment review, the Group considers each trading outlet to be a separate cash generating unit (CGU). Consideration is also given, where appropriate, to the market value of the asset either from independent sources or, in conjunction with an accepted industry valuation methodology. Any impairment in the values of property, plant and equipment and right-of-use assets is charged to the consolidated income statement.

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped, for impairment assessment purposes, at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU, on a pro-rata basis.

2 ACCOUNTING POLICIES CONTINUED

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cash flows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such a reversal is recognised in the consolidated income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitors goodwill, which is at an operating segment level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. The recoverable amount is determined as the greater of fair value, less costs of disposal and value in use. An impairment is then made to reduce the carrying amount to the recoverable amount.

Investments in joint ventures

The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification.

Such assets are measured at the lower of carrying amount and fair value, less the cost of disposal, and are not depreciated or amortised.

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the net results of discontinued operations are presented separately in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructuring costs

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2 ACCOUNTING POLICIES CONTINUED

Adjusting items and use of alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given on pages 206 to 210.

The term adjusted profit is not defined under IFRS and may not be directly comparable with adjusted profit measures used by other companies. It is not intended to be a substitute for, or superior to, statutory measures of profit. Adjusted measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS.

The Group makes certain adjustments to the statutory profit measures in order to derive many of its APMs. The Group's policy is to exclude items that are considered to be significant in nature and quantum, not in the normal course of business or are consistent with items that were treated as adjusting in prior periods or that span multiple financial periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Group.

On this basis, the following are examples of items that may be classified as adjusting items:

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of the changes to UK defined benefit scheme practices;
- net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; and
- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the consolidated income statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the consolidated income statement are translated using an average rate for the month in which they occur.

The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement. All other currency gains and losses are dealt with in the income statement.

2 ACCOUNTING POLICIES CONTINUED

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. Consideration is net of discounts, allowances for customer loyalty and other promotional activities and amounts collected on behalf of other parties, such as value added tax. Revenue includes duties which the Group pays as principal.

The Group has analysed its business activities and applied the five step model prescribed by IFRS 15 *Revenue from Contracts with Customers* to each material line of business, as outlined below:

Sale of accommodation

The contract to provide accommodation is established when the customer books accommodation. The performance obligation is to provide the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

Sale of food and beverage

The contract is established when the customer orders the food or beverage item and the performance obligation is the provision of food and beverage by the outlet. The performance obligation is satisfied when the food and beverage is delivered to the customer, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

Payment terms

Customers may pay in advance for accommodation, food and beverage. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met. The Group has taken advantage of the practical expedient in IFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

Payment terms for corporate customers are generally 30 days with amounts recorded in trade and other receivables once the performance obligations have been met.

Consideration receivable from HM Revenue & Customs

Consideration received from HM Revenue & Customs under the Eat Out to Help Out Scheme was recognised within revenue from sales of food and beverage in the year to 25 February 2021.

Contract costs

The Group applies the practical expedient in paragraph 94 of IFRS 15 and consequently contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.

Variable consideration

The Group makes an estimate, based on historical information, of amounts that will be refunded to customers. The refund liability represents variable consideration under IFRS 15 with revenue recognised reduced by this amount and a corresponding liability recognised in other payables in the consolidated balance sheet.

Certain of the Group's restaurants offer customer loyalty programmes whereby the customer can earn vouchers for historic purchases which are redeemable as discounts on future purchases. The loyalty points issued by the Group are a separate performance obligation providing a material right to a future discount. The sales price of goods is allocated to the loyalty points and the goods sold based on their relative standalone selling prices, with the loyalty points standalone price based on the value of the points to the customer, adjusted for expected redemption rates. The amount allocated to loyalty points is deferred as a contract liability within trade and other payables. Revenue is recognised as the points are redeemed by the customer.

Finance income

Interest income is recognised as the interest accrues, using the effective interest method.

2 ACCOUNTING POLICIES CONTINUED

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

Retirement benefits

In respect of the defined benefit pension scheme, the surplus recognised in the consolidated balance sheet represents the fair value of scheme assets, reduced by the present value of the defined benefit obligation. Where the calculation results in a surplus to the Group, the recognised asset is limited to the present value of any future available refunds from the plan.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Remeasurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the consolidated income statement in subsequent periods.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with net interest costs reported within finance costs. In addition, all administration costs, other than those relating to the management of plan assets or taxes payable by the plan itself, are charged as incurred to operating costs in the consolidated income statement. Net interest is calculated by applying the opening discount rate to the opening net defined benefit obligation, taking into account the expected contributions and benefits paid.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit and equalise guaranteed minimum pensions for historic individual transfers. The ruling impacted the Group's actuarial surplus as it will lead to an increase in pension obligations. The Group recognised the increase in its defined benefit liability as a charge to the consolidated income statement. See Note 32 for further details.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Government grants

A Government grant is recognised in the consolidated balance sheet within other receivables when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants are recognised within other income in the consolidated income statement at a point in time to match the timing of the recognition of the related expenses they are intended to compensate. Where cash is received in advance of the associated conditions being met, the grant is recorded within trade and other payables in the consolidated balance sheet.

Share-based payment transactions

Equity-settled transactions

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The cost of these equity-settled transactions is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.

Where an equity-settled award is replaced by newly granted instruments, these are accounted for as a modification of the existing award. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

2 ACCOUNTING POLICIES CONTINUED

Tax

The income tax charge represents both the income tax payable, based on profit for the year, and deferred income tax.

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the consolidated income statement.

Investments in joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to joint ventures is included in the carrying amount of the investment.

The consolidated income statement reflects the Group's share of the results of operations of the joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2 ACCOUNTING POLICIES CONTINUED

Financial assets

Trade receivables and contract assets

Trade receivables and contract assets are initially measured at fair value. Subsequently they are measured at amortised cost as the objective of the business model is to hold the assets to collect contractual cash flows and the contractual terms of the asset give rise to cash flows on specified dates which are solely payments of principal and interest.

In line with the IFRS 9 *Financial Instruments* 'simplified approach', the Group segments its trade receivables and contract assets based on shared characteristics, and recognises a loss allowance for the lifetime expected credit loss for each segment. The expected credit loss is based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and forecast conditions at the reporting date.

Credit impaired financial assets

A financial asset is credit impaired when one of more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The Group writes off a financial asset where there is no realistic prospect of recovery. Credit losses are recorded within operating costs in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and deposits (including Money Market Funds) which are short term, highly liquid and which are not at significant risk of changes in value.

Recognition and derecognition

The recognition of financial assets occurs when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivatives and hedging

The Group enters into derivative transactions to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item.

The fair value change on qualifying fair value hedges is recognised in profit or loss.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

2 ACCOUNTING POLICIES CONTINUED

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a cross currency swap as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 25 for more details.

Financial liabilities

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

Financial liabilities are measured at amortised cost using the effective interest rate method unless they are required to be measured at fair value through profit or loss or the Group has opted to measure them at fair value through the profit or loss. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense to the relevant period.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the consolidated income statement using the effective interest method.

Contingent consideration

Contingent consideration, resulting from business combinations and asset acquisitions, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Where the period between acquisition and payment is not significant, cash outflows for contingent consideration are included within cash flows from investing activities. Where the period of deferral is significant, excess payments over the fair value recognised at acquisition are recognised within cash flows from financing activities. None of the Group's contingent consideration is deemed to relate to post-acquisition remuneration.

Recognition and derecognition

The recognition of liabilities occurs when the Group becomes party to the contractual provisions of the instrument.

The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. These judgements and estimates and the underlying assumptions are reviewed regularly.

The Group has considered the impact of climate-related risks on its financial performance and position, and although the impact represents an uncertainty, it is not considered to be material.

Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Adjusting items

During the year certain items are identified and separately disclosed as adjusting items. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed earlier in this note. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous adjusting items are assessed based on the same criteria. Note 6 provides information on all of the items disclosed as adjusting in the current year and comparative financial statements.

2 ACCOUNTING POLICIES CONTINUED

Key sources of estimation uncertainty

The following are the key areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 32 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Impairment testing – Goodwill, property, plant and equipment and right-of-use assets

The performance of the Group's impairment review requires management to make a number of estimates. These are set out below:

Identification of indicators of impairment and reversal

Where there are indicators of impairment or reversal, management performs an impairment assessment. The speed at which the Group's sites will recover from the impact of the COVID-19 pandemic is uncertain and, as a result, all of the Group's sites have been tested for impairment.

Inputs used to estimate value in use

The estimate of value in use is most sensitive to the following inputs:

- Five-year business plan – Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management's assumptions of the impact of the pandemic and expected recovery period.
- Discount rate – Judgement is required in estimating the Weighted Average Cost of Capital (WACC) of a typical market participant and in assessing the specific country and currency risks associated with the Group. The rate used is adjusted for the Group's gearing, including equity, borrowings and lease liabilities.
- Immature sites – Judgement is required to estimate the time taken for sites to reach maturity and the sites' trading level once they are mature.

Methodology used to estimate fair value

Fair value is determined using a range of methods, including present value techniques using assumptions consistent with the value in use calculations and market multiple techniques using externally available data.

Key estimates and sensitivities for impairment of assets are disclosed in Note 15.

3 SEGMENT INFORMATION

The Group provides services in relation to accommodation, food and beverage both in the UK and internationally. Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit before joint ventures. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of profit/(losses) from joint ventures.

3 SEGMENT INFORMATION CONTINUED

The following tables present revenue and profit information regarding business operating segments for the years ended 3 March 2022 and 25 February 2021.

	Year to 3 March 2022				Year to 25 February 2021			
REVENUE	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**1,157.8**	**29.1**	**–**	**1,186.9**	388.5	10.2	–	398.7
Food, beverage and other items[1]	**510.4**	**6.1**	**–**	**516.5**	188.9	1.3	–	190.2
REVENUE BEFORE ADJUSTING ITEMS	**1,668.2**	**35.2**	**–**	**1,703.4**	577.4	11.5	–	588.9
Adjusting revenue (Note 6)				**–**				0.5
REVENUE				**1,703.4**				589.4

1 Revenue from food, beverage and other items for the UK & Ireland segment includes £nil (2020/21: £12.0m) of consideration receivable from HM Revenue & Customs under the Eat Out to Help Out Scheme.

	Year to 3 March 2022				Year to 25 February 2021			
PROFIT/(LOSS)	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
ADJUSTED OPERATING PROFIT/(LOSS) BEFORE JOINT VENTURES	**199.6**	**(15.4)**	**(31.3)**	**152.9**	(415.7)	(38.8)	(26.2)	(480.7)
Share of profit/(loss) from joint ventures	**–**	**–**	**0.4**	**0.4**	–	–	(6.0)	(6.0)
ADJUSTED OPERATING PROFIT/(LOSS)	**199.6**	**(15.4)**	**(30.9)**	**153.3**	(415.7)	(38.8)	(32.2)	(486.7)
Net finance costs	**(124.7)**	**(8.5)**	**(35.9)**	**(169.1)**	(117.1)	(6.1)	(25.2)	(148.4)
ADJUSTED PROFIT/(LOSS) BEFORE TAX	**74.9**	**(23.9)**	**(66.8)**	**(15.8)**	(532.8)	(44.9)	(57.4)	(635.1)
Adjusting items before tax (Note 6)				**74.0**				(372.3)
PROFIT/(LOSS) BEFORE TAX				**58.2**				(1,007.4)

Adjusted operating profit/(loss) for the UK & Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £56.3m (2020/21: £117.8m), income from Hospitality and Leisure Grant provided by the UK Government of £8.2m (2020/21: £3.5m) and income from the job retention schemes in the UK, Ireland and Jersey of £62.0m (2020/21: £139.0m). Adjusted operating loss for the German segment includes £1.0m (2020/21: £1.5m) from the Kurzarbeit scheme and other Government grants of £43.3m (2020/21: £10.3m).

	Year to 3 March 2022				Year to 25 February 2021			
OTHER SEGMENT INFORMATION	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Capital expenditure:								
Property, plant and equipment and investment property – cash basis	**148.1**	**52.3**	**–**	**200.4**	121.0	96.4	–	217.4
Property, plant and equipment and investment property – accruals basis (Note 14)	**165.8**	**54.2**	**–**	**220.0**	105.9	93.2	–	199.1
Intangible assets (Note 13)	**21.1**	**–**	**–**	**21.1**	10.8	–	–	10.8
Cash outflows from lease interest and payment of principal of lease liabilities	**234.5**	**25.8**	**–**	**260.3**	173.0	21.9	–	194.9
Depreciation – property, plant and equipment and investment property (Note 14)	**148.3**	**9.6**	**–**	**157.9**	145.2	5.1	–	150.3
Depreciation – right-of-use assets (Note 22)	**125.2**	**22.9**	**–**	**148.1**	109.9	16.4	–	126.3
Amortisation (Note 13)	**20.6**	**0.3**	**–**	**20.9**	23.3	0.3	–	23.6

3 SEGMENT INFORMATION CONTINUED

Segment assets and liabilities are not disclosed because they are not reported to, or reviewed by, the Chief Operating Decision Maker.

Revenues from external customers are split geographically as follows:

	2021/22 £m	2020/21 £m
United Kingdom	**1,661.8**	575.5
Germany	**35.2**	11.5
Other	**6.4**	2.4
	1,703.4	589.4

Non-current assets[1] are split geographically as follows:

	2022 £m	2021 £m
United Kingdom	**6,571.3**	6,343.6
Germany	**1,009.1**	809.3
Other	**114.7**	81.6
	7,695.1	7,234.5

1 Non-current assets exclude derivative financial instruments and the surplus on the Group's defined benefit pension scheme.

4 OTHER INCOME

An analysis of the Group's other income is as follows:

	2021/22 £m	2020/21 £m
Rental income	**7.9**	7.8
Government grants (Note 9)	**113.8**	153.4
Other	**0.7**	0.6
OTHER INCOME BEFORE ADJUSTING ITEMS	**122.4**	161.8
Insurance proceeds (Note 6)	**–**	1.8
VAT settlement (Note 6)	**8.7**	4.5
OTHER INCOME	**131.1**	168.1

5 OPERATING COSTS

	2021/22 £m	2020/21 £m
Cost of inventories recognised as an expense[1]	**146.6**	72.2
Employee benefits expense[2] (Note 7)	**678.9**	581.5
Amortisation of intangible assets (Note 13)	**20.9**	23.6
Depreciation – property, plant and equipment and investment property (Note 14)	**157.9**	150.3
Depreciation – right-of-use assets (Note 22)	**148.1**	126.3
Utilities	**87.8**	51.2
Rates	**71.2**	10.9
Other site property costs	**277.3**	158.7
Variable lease payment expense/(credit) (Note 22)	**0.3**	(0.6)
Net foreign exchange differences	**2.1**	0.4
Other operating charges[2]	**80.0**	56.9
Adjusting operating costs[2] (Note 6)	**(65.3)**	351.7
	1,605.8	1,583.1

1 Cost of inventories recognised as an expense includes £6.1m (2020/21: £14.6m) of inventory write downs recorded during the year.

2 Adjusting operating costs includes a credit for net impairments and write offs of £36.2m (2020/21: charge of £350.4m), a credit of £28.8m (2020/21: credit of £9.0m) relating to other operating charges and a credit of £0.3m (2020/21: charge of £10.3m) relating to employee benefit expenses (see Note 6).

5 OPERATING COSTS CONTINUED

Fees paid to the Group's auditor during the year consisted of:

	2021/22 £m	2020/21 £m
Audit of the Group's financial statements	**1.0**	0.9
Audit of the Group's subsidiaries	**0.6**	0.6
TOTAL AUDIT FEES	**1.6**	1.5
Audit-related assurance	**0.1**	0.1
Other non-audit fees[1]	**–**	1.1
TOTAL NON-AUDIT FEES	**0.1**	1.2
INCLUDED IN OTHER OPERATING CHARGES	**1.7**	2.7

1 During 2020/21 the Group auditor performed permissible non-audit services in relation to the June 2020 rights issue and the issue of Green Bonds.

6 ADJUSTING ITEMS

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2021/22 £m	2020/21 £m
ADJUSTING ITEMS WERE AS FOLLOWS:		
Revenue:		
TSA income[1]	**–**	0.5
Other income:		
Insurance proceeds[2]	**–**	1.8
VAT settlement[3]	**8.7**	4.5
ADJUSTING OTHER INCOME	**8.7**	6.3
Operating costs:		
TSA costs[1]	**–**	(0.5)
Costa disposal – separation costs and other costs[4]	**–**	6.4
Impairment – goodwill[5]	**–**	(238.8)
Net impairment reversals/(write offs) – property, plant and equipment, right-of-use assets and other intangible assets[6]	**36.2**	(109.2)
Impairment – investment in joint ventures[7]	**–**	(8.2)
Guaranteed minimum pension[8]	**–**	(1.1)
Aborted acquisition costs[9]	**–**	(12.4)
UK restructuring[10]	**0.3**	(12.1)
Gains on disposals, property and other provisions[11]	**28.8**	18.4
ADJUSTING OPERATING COSTS	**65.3**	(357.5)
Share of loss of joint ventures:		
Impairment[12]	**–**	(1.7)
Finance (costs)/income:		
Early prepayment charge (Note 20)[13]	**–**	(21.2)
VAT settlement[3]	**–**	1.3
ADJUSTING ITEMS BEFORE TAX	**74.0**	(372.3)

6 ADJUSTING ITEMS CONTINUED

Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:

	2021/22 £m	2020/21 £m
Tax on adjusting items	**(13.3)**	19.3
Impact of change in tax rates	**(13.1)**	(12.5)
ADJUSTING TAX (CHARGE)/CREDIT	**(26.4)**	6.8

1 Following the sale of Costa to The Coca-Cola Company on 3 January 2019, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. The agreements ended in FY21 and the Group earned £nil (2020/21: £0.5m) during the year.

2 During 2020/21, the Group recognised insurance claim proceeds of £1.8m in other income covering property and loss of trade in relation to a fire at a site in FY19/20.

3 In August 2021, HMRC confirmed it would not appeal the ruling of the First Tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2006 to 2013. The Group has submitted claims for the repayment of overpaid VAT amounting to £8.7m which are substantially similar. During the prior year, the Group submitted claims to HMRC in relation to similar matters and recognised £4.5m within other income and £1.3m within finance income.

4 During 2020/21, the Group recognised a credit of £6.4m for costs the Group no longer expects to incur relating to the separation of Costa and the impact of the disposal on the continuing business.

5 During 2020/21, the Group recorded a goodwill impairment charge of £238.8m in relation to its operations in Germany. The goodwill was recognised on the acquisition of Foremost Hospitality Hiex GmbH which the Group entered into in the year ended 1 March 2018 and was impaired as a result of the impact of the COVID-19 pandemic on growth rates.

6 The Group identified impairment indicators and indicators of impairment reversals relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a net impairment reversal of £42.0m. This is made up of an impairment loss on trading sites of £10.5m (£10.1m relating to property, plant and equipment and £0.4m relating to right-of-use assets) offset by impairment reversals of £52.5m (£30.4m relating to property, plant and equipment and £22.1m relating to right-of-use assets). In addition, an impairment charge of £5.8m was recorded in relation to assets classified as held for sale. Further information is provided in Note 15. During 2020/21, a total charge of £109.2m was recorded, made up of £97.9m of impairment losses on trading sites (£61.2m relating to property, plant and equipment and £36.7m relating to right-of-use assets), £3.9m relating to assets classified as held for sale, £1.7m relating to the cancellation of significant IT projects and £5.7m following a review of early stage expansion projects where the Group decided not to proceed with the project.

7 During 2020/21, as a result of the COVID-19 pandemic, the Group identified impairment indicators relating to its investment in its UK joint venture, Healthy Retail Limited. Following an impairment review, a charge of £8.2m was recorded within adjusting items. Further information is available in Note 16.

8 A High Court ruling in November 2020 confirmed that pension schemes should extend the equalisation of guaranteed minimum pension benefits for men and women to those who transferred benefits to other plans after 1990. The cost of reflecting this decision in the obligations of the Whitbread Group defined benefit scheme in FY21 was estimated at £1.1m, which has been recognised as a past service cost in the income statement. The treatment of this is consistent with the GMP equalisation adjustment in FY18/19. Any future revisions to the estimate will be recognised in other comprehensive income.

9 At 27 February 2020, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. During 2020/21, as a result of the COVID-19 pandemic, the Group decided not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations resulting in a charge of £12.4m, including fees, being recorded in the income statement during 2020/21.

10 During 2020/21, the Group restructured its Support Centre and site operations and recognised redundancy and project costs of £12.1m. Following the completion of the restructuring, the remaining provision of £0.3m was released to the income statement.

11 During the year, the Group disposed of a single property as part of a sale and leaseback transaction for gross proceeds of £40.0m. The Group will continue to rent the property for a period of five years. A profit on disposal of £27.5m was recognised on disposal of the property. In addition, during the year, the Group made a profit on other property disposals of £5.7m and recognised other provisions of £4.4m relating to historic indirect tax matters. From FY18 to FY20 the Group established a provision for the performance of remedial work on cladding material at a small number of the Group's sites. During 2020/21, the Group released provisions of £3.3m for costs which were no longer expected to be incurred and received reimbursements of costs of remedial work on cladding material from property developers totalling £13.4m. In addition, during 2020/21, the Group made a loss on disposal of £1.1m and released other provisions of £2.8m.

12 During 2020/21, the Group recorded a cost of £1.7m representing its share of a site level impairment in the accounts of its Middle East joint venture, Premier Inn Hotels LLC.

13 On 25 February 2021, the Group exercised an early repayment option associated with the Series A loan notes and Series B loan notes issued in 2017 and originally due for repayment on 16 August 2027. As a result, an early repayment charge of £21.2m was recognised during 2020/21.

7 EMPLOYEE BENEFITS EXPENSE

	2021/22 £m	2020/21 £m
Wages and salaries	**621.0**	531.1
Social security costs	**46.7**	38.9
Pension costs	**11.2**	11.5
	678.9	581.5

The amounts above exclude adjusting items. Wages and salaries excludes a credit of £0.3m (2020/21: charge of £12.1m) relating to the restructuring of the Group's operations and a credit of £nil (2020/21: credit of £2.9m) relating to costs associated with the separation of Costa. Pension costs excludes £nil (2020/21: charge of £1.1m) relating to a past service cost on the Group's defined benefit pension scheme (see Note 6).

Included in wages and salaries is a share-based payments expense of £12.9m (2020/21: £12.7m), which arises from transactions accounted for as equity-settled share-based payments.

7 EMPLOYEE BENEFITS EXPENSE CONTINUED

Employee costs are split between hourly paid and salaried employees as below:

	2021/22 £m	2020/21 £m
Employee costs – hourly paid	**440.3**	391.7
Employee costs – salaried	**238.6**	189.8
	678.9	581.5

Average number of employees directly employed	2021/22 Number	2020/21 Number
UK & Ireland	**33,546**	32,190
Germany	**782**	599
	34,328	32,789

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2021/22 £m	2020/21 £m
Directors' remuneration	**3.8**	3.0
Aggregate contributions to the defined contribution pension scheme	**–**	–
Aggregate gains on the exercise of share options	**1.2**	7.3

	2021/22 Number	2020/21 Number
Number of directors accruing benefits under defined contribution schemes	**2**	2

8 FINANCE (COSTS)/INCOME

	2021/22 £m	2020/21 £m
FINANCE COSTS		
Interest on bank loans and overdrafts	**(7.4)**	(5.3)
Interest on other loans	**(30.0)**	(24.1)
Interest on lease liabilities (Note 22)	**(133.2)**	(123.2)
Unwinding of discount on contingent consideration (Note 26)	**(1.4)**	(2.1)
Interest capitalised (Note 14)	**0.9**	0.9
Impact of ineffective portion of cash flow and fair value hedges and cost of hedging (Note 25)	**(2.5)**	–
	(173.6)	(153.8)
FINANCE INCOME		
Bank interest receivable	**0.7**	1.2
Other interest receivable	**0.2**	0.8
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**–**	0.4
IAS 19 pension finance income (Note 32)	**3.6**	3.0
	4.5	5.4
ADJUSTED NET FINANCE COSTS	**(169.1)**	(148.4)
Adjusting net finance (costs)/income:		
Early prepayment charge (Note 20)	**–**	(21.2)
VAT settlement (Note 6)	**–**	1.3
TOTAL NET FINANCE COSTS	**(169.1)**	(168.3)
Analysed as:		
Total finance costs	**(173.6)**	(175.0)
Total finance income	**4.5**	6.7
TOTAL NET FINANCE COSTS	**(169.1)**	(168.3)

Net finance costs includes £169.7m (2020/21: £172.9m) finance costs and £0.9m (2020/21: £2.0m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

9 GOVERNMENT GRANTS AND ASSISTANCE

During the year, the Group has received Government support designed to mitigate the impact of COVID-19.

Grants received during the year consisted of:

	2021/22 £m	2020/21 £m
UK Coronavirus Job Retention Scheme	**61.7**	138.3
Ireland Employment Wage Subsidy Scheme	**0.2**	0.5
Jersey Co-Funded Payroll Scheme	**0.1**	0.2
UK Hospitality and Leisure Grant	**8.2**	3.5
German Fixed Cost Grant	**43.3**	10.3
German Kurzarbeit Scheme – compensation for social security payments	**0.3**	0.6
INCLUDED IN OTHER INCOME	**113.8**	153.4

The Group benefited from the following schemes which led to savings in operating costs:

	2021/22 £m	2020/21 £m
German Kurzarbeit Scheme – employees support	**0.7**	0.9
UK Business Rate Relief	**56.3**	117.8
REDUCTION IN OPERATING COSTS	**57.0**	118.7

In the UK, the Government has provided funding towards the salary costs of employees who have been ‘furloughed’ through the Coronavirus Job Retention Scheme. The scheme rules have evolved during the period and remain complex to interpret and apply to the claims. This funding meets the definition of a Government grant under IAS 20 *Government Grants* and a total of £61.7m (2020/21: £138.3m) has been recorded within other income. The Group has recognised income from job retention schemes in Ireland and Jersey totalling £0.2m and £0.1m respectively within other income (2020/21: £0.5m and £0.2m). The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

The UK Government also provided grants to support businesses in the retail, hospitality and leisure sector who had been impacted by closures and other restrictions. The Group has recognised £8.2m (2020/21: £3.5m) in other income relating to these grants and no further grants are expected to be received.

In Germany, the Government has provided financial support to cover certain fixed costs incurred by companies in sectors which have been significantly impacted by the COVID-19 pandemic and related restrictions. The Group has recognised a total of £43.3m (2020/21: £10.3m) in relation to the schemes within other income.

The German Government also provides enhanced benefits directly to individual employees with employers partially compensated for continued social security payments under Kurzarbeit. Support provided directly to employees reduced the Group’s operating costs by £0.7m (2020/21: £0.9m) and a total of £0.3m (2020/21: £0.6m) was recognised in other income relating to compensation for social security payments.

The UK Government and devolved administrations introduced business rates holidays for retail, hospitality and leisure businesses. Relief in England ended in July 2021 and the holiday in Northern Ireland, Wales and Scotland continued until April 2022. The relief has allowed the Group to reduce operating costs by £56.3m in the year (2020/21: £117.8m).

The Group was confirmed as an eligible issuer under the UK Government’s Covid Corporate Financing Facility (CCFF) with an initial limit of £600.0m. The limit was reduced to £300.0m following the reduction in the Group’s credit rating to BBB-. The Group did not draw down on the facility during the year or prior to its expiry on 22 March 2021.

The UK Government announced on 8 July 2020, that a reduced rate of VAT would apply to certain supplies in the hospitality and hotel accommodation sector and this was extended by the Budget in 2021. As a result, for the period from 15 July 2020 to 30 September 2021, the Group’s sales of accommodation, food and beverage (excluding alcohol) was charged at 5% VAT. A new reduced rate of 12.5% was introduced from 1 October 2021 and ended on 31 March 2022. The standard VAT rate of 20% returned on 1 April 2022.

The Group took part in the COVID-19 VAT deferral scheme, allowing it to defer VAT payments totalling £14.9m into the current year which would ordinarily have fallen due during FY21. These have been repaid during the period.

The Group registered with the Government’s Eat Out to Help Out Scheme during August 2020, which provided Government funding for 50% of food and non-alcoholic beverage purchases, capped at £10 per head. The Group claimed £12.0m as part of the scheme which has been recognised as revenue in the year to 25 February 2021.

10 TAXATION

CONSOLIDATED INCOME STATEMENT	2021/22 £m	2020/21 £m
Current tax:		
Current tax credit	–	(10.7)
Adjustments in respect of previous periods	(1.0)	11.9
	(1.0)	1.2
Deferred tax:		
Origination and reversal of temporary differences	16.5	(109.4)
Effect of rate change	13.1	12.5
Adjustments in respect of previous periods	(12.9)	(5.2)
	16.7	(102.1)
TAX REPORTED IN THE CONSOLIDATED INCOME STATEMENT	**15.7**	(100.9)

The adjustments in respect of prior periods arise mainly due to a reassessment of deferred tax on property, plant and equipment.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	2021/22 £m	2020/21 £m
Current tax:		
Defined benefit pension scheme	2.3	(2.7)
Deferred tax:		
Cash flow hedges	0.5	0.6
Tax on net gain on hedge of a net investment	0.8	(0.8)
Tax on exchange differences on translation of foreign operations	(2.7)	1.5
Defined benefit pension scheme	88.0	2.4
	86.6	3.7
TAX REPORTED IN OTHER COMPREHENSIVE INCOME	**88.9**	1.0

A reconciliation of the tax (credit)/charge applicable to adjusted (loss)/profit before tax and (loss)/profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 3 March 2022 and 25 February 2021 respectively is set out below. All items have been tax effected at the UK statutory rate of 19%, with the exception of the effect of unrecognised losses in overseas companies, which has been tax effected at the statutory rate in the relevant jurisdictions with an adjustment to account for the differential tax rates included in the effect of different tax rates.

	2021/22		2020/21	
	Tax on adjusted profit £m	Tax on profit £m	Tax on adjusted profit £m	Tax on profit £m
(LOSS)/PROFIT BEFORE TAX AS REPORTED IN THE CONSOLIDATED INCOME STATEMENT	(15.8)	58.2	(635.1)	(1,007.4)
Tax at current UK tax rate of 19% (2020/21: 19%)	(3.0)	11.1	(120.7)	(191.4)
Effect of different tax rates	(3.8)	(3.8)	(6.9)	(6.9)
Unrecognised losses in overseas companies	11.8	11.8	14.7	17.0
Effect of joint ventures	–	–	0.3	0.3
Effect of super deduction in respect of tax relief for fixed assets	(2.7)	(2.7)	–	–
Expenditure not allowable	3.6	1.9	10.0	59.1
Adjustments to current tax expense in respect of previous years	(1.0)	(1.0)	9.0	11.9
Adjustments to deferred tax expense in respect of previous years	(13.8)	(12.9)	(1.7)	(5.2)
Impact of deferred tax being at a different rate from current tax rate	–	13.1	–	12.5
Other movements	(1.8)	(1.8)	1.2	1.8
TAX (CREDIT)/EXPENSE REPORTED IN THE CONSOLIDATED INCOME STATEMENT	(10.7)	15.7	(94.1)	(100.9)

10 TAXATION CONTINUED

Deferred tax

The major deferred tax (liabilities)/assets recognised by the Group and movement during the current and prior financial years are as follows:

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
AT 27 FEBRUARY 2020	(54.3)	(64.4)	(56.3)	43.3	–	(6.1)	(137.8)
Charge to consolidated income statement	10.0	6.6	(3.8)	0.7	84.4	4.2	102.1
Charge to statement of comprehensive income	–	–	(2.4)	–	(0.7)	(0.6)	(3.7)
Charge to statement of changes in equity	–	–	–	–	–	(1.9)	(1.9)
Transfer	–	–	–	(4.7)	–	4.7	–
Arising on acquisitions	–	–	–	(3.5)	–	–	(3.5)
Foreign exchange and other movements	0.1	–	–	0.2	–	(0.1)	0.2
AT 25 FEBRUARY 2021	**(44.2)**	**(57.8)**	**(62.5)**	**36.0**	**83.7**	**0.2**	**(44.6)**
(Charge)/credit to consolidated income statement[1]	**(28.3)**	**(34.7)**	**(15.4)**	**12.6**	**53.7**	**(4.6)**	**(16.7)**
(Charge)/credit to statement of comprehensive income[2]	**–**	**–**	**(88.0)**	**–**	**1.9**	**(0.5)**	**(86.6)**
Charge to statement of changes in equity	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Foreign exchange and other movements	**–**	**–**	**–**	**0.1**	**–**	**(2.5)**	**(2.4)**
AT 3 MARCH 2022	**(72.5)**	**(92.5)**	**(165.9)**	**48.7**	**139.3**	**(7.7)**	**(150.6)**

1 The total charge to the consolidated income statement of £16.7m comprises a rate change charge of £13.1m, being the largest component of the net charge. This has arisen due to the substantively enacted increase in the UK corporation tax rate from 19% to 25%. A decision made to utilise capital allowances in the FY21 tax computation has caused a £21.0m movement between the Accelerated capital allowances and Losses categories above.

2 The total charge to other comprehensive income of £86.6m includes a rate change charge of £27.5m and a charge of £60.6m driven by actuarial gains on the defined benefit pension scheme.

The Group has unrecognised German tax losses of £128.2m (2021: £84.8m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £40.9m (2021: £26.2m).

At 3 March 2022, no deferred tax liability is recognised (2021: £nil) on gross temporary differences of £13.9m (2021: £3.0m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relief on total interest capitalised amounts to £0.2m (2020/21: £0.2m).

Factors affecting the tax charge for future years

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. The change has resulted in the remeasurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystallise after this effective date, using the higher tax rate. A charge of £13.1m has been recorded in the consolidated income statement and a charge of £27.5m in the consolidated statement of comprehensive income based on the Group's current estimate of how the balances will unwind. However, the Group has some ability to control the timing of this unwinding and could vary the value of the deferred tax liability by up to £11.0m.

11 EARNINGS PER SHARE

The basic earnings per share (EPS) figures are calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. There are 0.7m (2021: 2.3m) share options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

The numbers of shares used for the earnings per share calculations are as follows:

	2021/22 million	2020/21 million
Basic weighted average number of ordinary shares	**201.9**	188.1
Effect of dilution – share options	**1.0**	–
DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**202.9**	188.1

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 214.5m, less 12.5m treasury shares held by Whitbread PLC and 0.2m held by the ESOT (2021: 214.4m, less 12.5m treasury shares held by Whitbread PLC and 0.4m held by the ESOT).

The profits/(losses) used for the earnings per share calculations are as follows:

	2021/22 £m	2020/21 £m
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	**42.5**	(906.5)
Adjusting items before tax (Note 6)	**(74.0)**	372.3
Adjusting tax charge/(credit) (Note 6)	**26.4**	(6.8)
ADJUSTED LOSS FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	**(5.1)**	(541.0)

	2021/22 pence	2020/21 pence
BASIC EPS ON PROFIT/(LOSS) FOR THE YEAR	**21.1**	(481.9)
Adjusting items before tax (Note 6)	**(36.7)**	197.9
Adjusting tax charge/(credit) (Note 6)	**13.1**	(3.6)
BASIC EPS ON ADJUSTED LOSS FOR THE YEAR	**(2.5)**	(287.6)
DILUTED EPS ON PROFIT/(LOSS) FOR THE YEAR	**20.9**	(481.9)
DILUTED EPS ON ADJUSTED LOSS FOR THE YEAR	**(2.5)**	(287.6)

12 DIVIDENDS PAID AND PROPOSED

	2021/22		2020/21	
	pence per share	£m	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	–	–	–	–
Interim dividend proposed, and paid, for the current year	–	–	–	–
TOTAL EQUITY DIVIDENDS PAID IN THE YEAR		–		–
Dividends on other shares:				
B share dividend	**0.30**	–	0.90	–
C share dividend	–	–	0.90	–
TOTAL DIVIDENDS PAID		–		–
Proposed for approval at annual general meeting:				
Final equity dividend for the current year	**34.70**	**70.0**	–	–

Following the publication of these financial statements, the Group is able to demonstrate compliance with covenant metrics agreed with its lenders, being net debt/adjusted EBITDA < 3.5x and adjusted EBITDA/interest > 3.0x. The Group will notify its lending banks of its intention to remove the covenant waivers which are currently in place, and will subsequently issue a compliance certificate to reinstate the original covenants.

As a result, a final dividend of 34.70p per share amounting to a dividend of £70.0m was recommended by the directors at their meeting on 27 April 2022. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

13 INTANGIBLE ASSETS

	Goodwill £m	IT software and technology £m	Total £m
COST			
At 27 February 2020	111.3	108.8	220.1
Additions	–	10.8	10.8
Recognised on acquisition of a subsidiary	224.2	–	224.2
Assets written off	–	(9.7)	(9.7)
Foreign currency adjustment	14.6	0.1	14.7
AT 25 FEBRUARY 2021	**350.1**	**110.0**	**460.1**
Additions	–	**21.1**	**21.1**
Assets written off	–	**(10.8)**	**(10.8)**
Foreign currency adjustment	–	**(0.1)**	**(0.1)**
AT 3 MARCH 2022	**350.1**	**120.2**	**470.3**
AMORTISATION AND IMPAIRMENT			
At 27 February 2020	(0.8)	(46.5)	(47.3)
Amortisation during the year	–	(23.6)	(23.6)
Impairment during the year	(238.8)	–	(238.8)
Amortisation on assets written off	–	8.7	8.7
AT 25 FEBRUARY 2021	**(239.6)**	**(61.4)**	**(301.0)**
Amortisation during the year	–	**(20.9)**	**(20.9)**
Amortisation on assets written off	–	**10.8**	**10.8**
Foreign currency adjustment	–	**0.1**	**0.1**
AT 3 MARCH 2022	**(239.6)**	**(71.4)**	**(311.0)**
NET BOOK VALUE AT 3 MARCH 2022	**110.5**	**48.8**	**159.3**
NET BOOK VALUE AT 25 FEBRUARY 2021	**110.5**	**48.6**	**159.1**

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology assets, which are made up entirely of internally generated assets, have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £7.3m (2021: £0.5m).

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

	Land and buildings £m	Plant and equipment £m	Total property, plant and equipment £m	Investment property £m	Total £m
COST					
At 27 February 2020	3,538.1	1,536.0	5,074.1	20.4	5,094.5
Additions	116.0	82.4	198.4	0.7	199.1
Acquisition of a subsidiary	–	6.0	6.0	–	6.0
Interest capitalised	0.9	–	0.9	–	0.9
Movements to held for sale in the year	(11.2)	(2.5)	(13.7)	–	(13.7)
Disposals	(0.2)	–	(0.2)	–	(0.2)
Assets written off	(8.1)	(104.1)	(112.2)	–	(112.2)
Foreign currency adjustment	5.1	(0.2)	4.9	0.7	5.6
AT 25 FEBRUARY 2021	**3,640.6**	**1,517.6**	**5,158.2**	**21.8**	**5,180.0**
Additions	**92.0**	**128.0**	**220.0**	**–**	**220.0**
Interest capitalised	**0.9**	**–**	**0.9**	**–**	**0.9**
Movements to held for sale in the year	**(62.2)**	**(4.5)**	**(66.7)**	**–**	**(66.7)**
Disposals	**(8.8)**	**–**	**(8.8)**	**–**	**(8.8)**
Assets written off	**(4.1)**	**(57.9)**	**(62.0)**	**–**	**(62.0)**
Transfers	**21.4**	**–**	**21.4**	**(21.4)**	**–**
Foreign currency adjustment	**(17.8)**	**(2.5)**	**(20.3)**	**(0.4)**	**(20.7)**
AT 3 MARCH 2022	**3,662.0**	**1,580.7**	**5,242.7**	**–**	**5,242.7**
DEPRECIATION AND IMPAIRMENT					
At 27 February 2020	(211.2)	(630.9)	(842.1)	(0.1)	(842.2)
Depreciation charge for the year	(16.1)	(134.1)	(150.2)	(0.1)	(150.3)
Impairment (Note 15)	(63.8)	(0.6)	(64.4)	–	(64.4)
Movements to held for sale in the year	3.8	1.4	5.2	–	5.2
Depreciation on assets written off	–	106.2	106.2	–	106.2
Foreign currency adjustment	–	0.2	0.2	–	0.2
AT 25 FEBRUARY 2021	**(287.3)**	**(657.8)**	**(945.1)**	**(0.2)**	**(945.3)**
Depreciation charge for the year	**(22.9)**	**(135.0)**	**(157.9)**	**–**	**(157.9)**
Impairment reversal/(charge) (Note 15)	**16.9**	**(2.4)**	**14.5**	**–**	**14.5**
Movements to held for sale in the year	**7.3**	**2.4**	**9.7**	**–**	**9.7**
Disposals	**0.6**	**–**	**0.6**	**–**	**0.6**
Depreciation on assets written off	**4.1**	**57.9**	**62.0**	**–**	**62.0**
Transfers	**(0.2)**	**–**	**(0.2)**	**0.2**	**–**
Foreign currency adjustment	**0.1**	**0.7**	**0.8**	**–**	**0.8**
AT 3 MARCH 2022	**(281.4)**	**(734.2)**	**(1,015.6)**	**–**	**(1,015.6)**
NET BOOK VALUE AT 3 MARCH 2022	**3,380.6**	**846.5**	**4,227.1**	**–**	**4,227.1**
NET BOOK VALUE AT 25 FEBRUARY 2021	**3,353.3**	**859.8**	**4,213.1**	**21.6**	**4,234.7**

Included above are assets under construction of £260.5m (2021: £289.9m).

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2021: £500.0m). See Note 32 for further information.

Amounts relating to right-of-use assets under IFRS 16 are detailed in Note 22.

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY CONTINUED

Investment property

During 2019/20, the Group acquired a freehold site which was leased to a third party and was recorded within investment property. The Group recognised rental income of £0.2m (2020/21: £0.4m) within other income and £0.1m (2020/21: £0.1m) of direct operating expenses in relation to this property.

During the year, the property was transferred to property, plant and equipment as the lease ended and the Group took over the operations of the hotel.

CAPITAL EXPENDITURE COMMITMENTS	2022 £m	2021 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**106.4**	82.5

Capitalised interest

Interest capitalised during the year amounted to £0.9m, using an average rate of 2.7% (2020/21: £0.9m, using an average rate of 2.9%).

Assets held for sale

During the year, four property assets with a combined net book value of £57.0m (2020/21: seven at £9.1m) were transferred to assets held for sale. No property was transferred back to property, plant and equipment (2020/21: one with a net book value of £0.6m). Seven property assets sold during the year had a net book value of £11.2m (2020/21: three at £3.9m). An impairment loss of £nil (2020/21: £0.7m) was recognised relating to assets classified as held for sale. By the year end there were eleven sites with a combined net book value of £64.8m (2021: 14 at £19.0m) classified as assets held for sale. There are no gains or losses recognised in other comprehensive income with respect to these assets. Sites are transferred to assets held for sale when there is an expectation that they will be sold within 12 months. If the site is not expected to be sold within 12 months it is subsequently transferred back to property, plant and equipment.

Included within assets held for sale are assets which were written down to fair value less costs to sell of £15.4m (2021: £11.4m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available management considers information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. This is a level 3 measurement as per the fair value hierarchy set out in Note 25. The key inputs under this approach are the property size and location.

15 IMPAIRMENT

During the year, net impairment reversals of £34.4m (2020/21: impairment losses £348.8m) and asset write offs of £nil (2020/21: £7.4m) were recognised within operating costs. These impairment reversals are primarily driven by an increase in anticipated cash flows, and a decrease in the discount rate reflecting reduced market risk and volatility. The losses/(reversals) were recognised on the following classes of assets:

	2021/22 £m	2020/21 £m
IMPAIRMENT LOSSES/(REVERSALS)		
Property, plant and equipment – impairment losses	**10.1**	61.2
Property, plant and equipment – impairment reversals	**(30.4)**	–
Property, plant and equipment – transfer to assets held for sale	**5.8**	3.2
Intangible assets – goodwill	**–**	238.8
Right-of-use assets – impairment losses	**0.4**	36.7
Right-of-use assets – impairment reversals	**(22.1)**	–
Investments in joint ventures	**1.8**	8.2
Assets held for sale	**–**	0.7
ASSET WRITE OFFS		
Property, plant and equipment – early stage expansion projects	**–**	5.7
IT assets	**–**	1.7
TOTAL (CREDIT)/CHARGE FOR IMPAIRMENT AND ASSET WRITE OFFS	**(34.4)**	356.2

All of the impairment assessments take account of expected market conditions which include future risks including climate change and climate change related legislation.

Property, plant and equipment and right-of-use assets – impairment review

As a result of the COVID-19 pandemic and subsequent easing of restrictions, the Group identified indicators of both impairment and impairment reversals and as a result performed an impairment assessment of all trading sites. This resulted in net impairment reversals of £20.3m (2020/21: impairment loss of £61.2m) being recorded in relation to property, plant and equipment in the UK and net impairment reversals of £21.7m (2020/21: impairment loss £36.7m) being recorded in relation to right-of-use assets in the UK.

The Group considers each trading site to be a CGU. Where indicators of impairment are identified, an impairment assessment is undertaken. In assessing whether an asset has been impaired, the carrying amount of the site is compared to its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs of disposal.

The Group calculates a value in use (VIU) for each site. Where the VIU is lower than the carrying value of the CGU, the Group uses a range of methods for estimating the fair value less costs of disposal (FVLCD). These include applying a market multiple to the CGU EBITDAR and, for leasehold sites, present value techniques using a discounted cash flow method. Both FVLCD methods rely on inputs not normally observable by market participants and are therefore level 3 measurements in the fair value hierarchy.

The key assumptions used by management in estimating value in use were:

Discount rates

The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The average pre-tax discount rate used is 8.7% in the UK, and 7.3% in Germany (2021: 9.5% UK and 8.9% Germany). The discount rate has decreased reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management's assumptions of the impact of the pandemic and expected recovery period.

The key assumptions used by management in setting the Board approved financial budgets for the initial five-year period were as follows:

- Normalised trading: Actual results from FY20 have been used as a basis for the budget as they represent normalised trading before the impact of COVID-19.
- Forecast growth rates: Forecast growth rates are based on the Group business plan which includes assumptions around the timing and profile of the UK and German economies' recovery from the COVID-19 pandemic.
- Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost-saving initiatives.
- Local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

15 IMPAIRMENT CONTINUED

Long-term growth rates

A long-term growth rate of 2.0% (2021: 2.0%) was used for cash flows subsequent to the five-year approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

The key assumptions used by management in estimating the FVLCD were:

EBITDAR multiple

An EBITDAR multiple is estimated based on a normalised trading basis and market data obtained from external sources. This resulted in a multiple in the range of 9 to 11 times.

Discounted cash flows

The key assumptions used by management in estimating the FVLCD on a discounted cash flow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 8.7% to 9.7%.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonable possible change in assumptions to the growth rates used in the five-year business plan, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge/(reversal) in the year to 3 March 2022 of:

INCREMENTAL IMPAIRMENT CHARGE/(REVERSAL)	Total £m
Increase to impairment charge/(reversal) if discount rate increased by 2%	**24.9**
Increase to impairment charge/(reversal) if long-term growth rates reduced by 1%	**18.9**
Increase to impairment charge/(reversal) if EBITDAR multiple reduced by 10%	**3.1**

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

The impairment sensitivities above show the downside risk from a reasonable possible change in the modelled assumptions and are in line with disclosure requirements.

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. An analysis of goodwill by operating segment is:

	UK £m	Germany £m	Total £m
AT 27 FEBRUARY 2020	110.5	–	110.5
Recognised on acquisition of a subsidiary	–	224.2	224.2
Foreign exchange	–	14.6	14.6
Impairment	–	(238.8)	(238.8)
AT 25 FEBRUARY 2021 AND 3 MARCH 2022	110.5	–	110.5

In the prior year an impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH, reflecting the impact of the COVID-19 pandemic on current and future growth rates.

The recoverable amount is the higher of fair value less costs of disposal and value in use using the same assumptions as those used in the site level impairment reviews. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the approved budget and cover a five-year period. These forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% (2021: 2.0%) growth rate. The pre-tax discount rate applied to cash flow projections is 8.7% for the UK and 7.3% for Germany (2021: 9.5% UK and 8.9% Germany).

As a result of the German goodwill being impaired in the prior year and the level of headroom within the UK segment, there is no reasonable possible change that could result in a further material impairment of goodwill.

15 IMPAIRMENT CONTINUED

Investments in joint ventures

The COVID-19 pandemic has had a significant impact on trading and future forecasts for trading at the Group's joint ventures. An impairment review was carried out during the year ended 25 February 2021 and an impairment charge of £8.2m recorded in the financial statements relating to the Group's investment in Healthy Retail Limited. Additional loan funding of £1.8m has been provided to Healthy Retail Limited in the year to 3 March 2022 and subsequently impaired. See Note 16.

Property, plant and equipment – assets held for sale

During the period, four hotels were transferred to assets held for sale, resulting in an impairment charge of £5.8m (2020/21: seven hotels resulting in an impairment charge of £3.2m). In addition, during 2020/21, an impairment charge of £0.7m was recorded in relation to assets which had previously been classified as held for sale as a result of a reduction in expected sales proceeds.

16 INVESTMENT IN JOINT VENTURES

Premier Inn Hotels LLC

The Group holds a 49% interest in Premier Inn Hotels LLC, a joint venture which operates Premier Inn branded hotels in the United Arab Emirates. The investment forms part of the Group's international growth strategy.

Premier Inn Hotels LLC holds a 49% investment in Premier Inn Qatar Limited. During the year, the Group subscribed for share capital of £1.4m (2020/21: £1.3m).

Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 20 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. The impact of COVID-19 has had a significant impact on the company's trading and on 7 October 2020 Healthy Retail Limited entered into a Creditor's Voluntary Agreement (CVA). Healthy Retail Limited has also obtained a Coronavirus Business Interruption Loan Scheme facility which is in priority to the Group's security over loans advanced to the joint venture. The Group has impaired its investments and loans made to Healthy Retail Limited in full, resulting in a charge of £1.8m (2020/21: £8.2m).

The Group has an option to purchase the remaining 51% interest which expires on 31 December 2022. The Group continues to account for the investment as a joint venture on the basis that the majority shareholders have an equal representation on the investee's board of directors who have control over the relevant activities of the business, and the potential voting rights under the option to purchase are not considered to be substantive.

Premier Inn Kier Limited

The Group holds a 50% investment in this dormant UK entity.

Movement in investment in joint ventures

	2022 £m	2021 £m
Opening investment in joint ventures	**37.3**	54.8
Share of profit/(loss) for the year	**0.4**	(7.7)
Foreign exchange movements	**2.0**	(3.3)
Loans advanced	**1.8**	–
Impairment[1]	**(1.8)**	(8.2)
Interest on loans	**–**	0.4
Capital contribution	**1.4**	1.3
CLOSING INVESTMENT IN JOINT VENTURES	**41.1**	37.3

1 Includes an impairment of loans advanced to joint ventures of £1.8m (2020/21: £5.8m) determined under IFRS 9.

16 INVESTMENT IN JOINT VENTURES CONTINUED

	2022			2021		
	Premier Inn Hotels LLC £m	**Healthy Retail Limited £m**	**Total £m**	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
SUMMARY OF JOINT VENTURES' BALANCE SHEETS						
Current assets	**9.1**	**2.0**	**11.1**	6.7	0.8	7.5
Non-current assets	**141.2**	**20.2**	**161.4**	138.1	26.3	164.4
Current liabilities	**(10.4)**	**(15.9)**	**(26.3)**	(11.4)	(14.1)	(25.5)
Non-current liabilities	**(56.0)**	**(16.1)**	**(72.1)**	(57.2)	(19.3)	(76.5)
NET ASSETS	**83.9**	**(9.8)**	**74.1**	76.2	(6.3)	69.9
Group's share of interest in joint ventures' net assets	**41.1**	**(4.9)**	**36.2**	37.3	(3.1)	34.2
Premium paid on acquisition	**–**	**4.5**	**4.5**	–	4.5	4.5
Loans to joint ventures	**–**	**7.5**	**7.5**	–	5.8	5.8
Accumulated impairment	**–**	**(7.1)**	**(7.1)**	–	(7.2)	(7.2)
GROUP'S CARRYING AMOUNT OF THE INVESTMENT	**41.1**	**–**	**41.1**	37.3	–	37.3
WITHIN GROSS BALANCE SHEETS						
Cash and cash equivalents	**6.9**	**1.6**	**8.5**	5.2	–	5.2
Current financial liabilities	**(4.6)**	**(13.1)**	**(17.7)**	(3.6)	(10.9)	(14.5)
Non-current financial liabilities	**(56.0)**	**(16.1)**	**(72.1)**	(56.8)	(19.3)	(76.1)

SUMMARY OF JOINT VENTURES' INCOME STATEMENT						
Revenue	**18.2**	**11.8**	**30.0**	11.2	4.5	15.7
Other income	**–**	**0.3**	**0.3**	–	2.4	2.4
Depreciation and amortisation	**(4.6)**	**(4.2)**	**(8.8)**	(5.9)	(4.5)	(10.4)
Impairment	**–**	**–**	**–**	(3.5)	–	(3.5)
Other operating costs	**(10.9)**	**(10.5)**	**(21.4)**	(11.2)	(6.1)	(17.3)
Finance costs	**(2.0)**	**(1.3)**	**(3.3)**	(2.6)	(1.2)	(3.8)
PROFIT/(LOSS) BEFORE TAX	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
Income tax	**–**	**–**	**–**	–	–	–
Profit/(loss) after tax	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
Other comprehensive income	**–**	**–**	**–**	–	–	–
TOTAL COMPREHENSIVE INCOME	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
GROUP SHARE						
Profit/(loss) after tax[1]	**0.4**	**–**	**0.4**	(5.9)	(1.8)	(7.7)
Other comprehensive income	**–**	**–**	**–**	–	–	–

1 The group share of loss after tax of Healthy Retail Limited has been recognised only to the extent that its share of losses equals its interest in the joint venture, following the impairment recorded during the prior year.

At 3 March 2022, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2021: £0.1m).

17 INVENTORIES

	2022 £m	2021 £m
Finished goods held for resale	**15.0**	7.5
Consumables	**4.4**	4.6
	19.4	12.1

The carrying value of inventories is stated net of a provision of £2.5m (2021: £5.5m).

18 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Trade receivables	**45.5**	22.1
Prepayments and accrued income	**24.2**	17.6
Other receivables	**46.7**	34.5
	116.4	74.2

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £44.2m (2021: £16.0m) relating to contracts with customers. Other receivables include £14.7m (2021: £14.0m) in relation to grants and other support receivable from the UK and German governments (see Note 9).

The allowance for expected credit loss relating to trade and other receivables at 3 March 2022 was £2.0m (2021: £1.3m). During the year, credit losses of £2.7m (2020/21: £0.7m) were recognised within operating costs in the consolidated income statement.

19 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank and in hand	**43.5**	19.2
Money market funds	**757.3**	1,011.8
Short-term deposits	**331.6**	225.0
	1,132.4	1,256.0

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates.

The Group does not have material cash balances which are subject to contractual or regulatory restrictions.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

20 BORROWINGS

Amounts drawn down on the Group's borrowing facilities are as follows:

	Current		Non-current	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Revolving credit facility	**–**	–	**–**	–
Private placement loan notes	**–**	312.0	**–**	–
Senior unsecured bonds	**–**	–	**991.9**	990.5
	–	312.0	**991.9**	990.5

Covenants

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. Following the publication of these financial statements, the Group is able to demonstrate compliance with covenant metrics agreed with its lenders, being net debt/ EBITDA < 3.5x and EBITDA/interest > 3.0x. The Group will notify its lending banks of its intention to remove the covenant waivers which are currently in place, and will subsequently issue a compliance certificate to reinstate the original covenants.

Revolving credit facility (£850m)

On 29 January 2021, the Group agreed to amend and extend its revolving credit facility (RCF). The agreement gives total committed credit of £850.0m available until 7 September 2022 and £725.0m available until 7 September 2023. The facility is a Multicurrency Revolving Facility Agreement and has variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

At 3 March 2022, the Group had available £850.0m (2021: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Private placement loan notes

On 26 March 2021, the Group repaid loan notes with a principal value of £200.0m originally due for repayment in August 2027. An early repayment charge of £21.2m was recorded in the financial statements for the year ended 25 February 2021. As a result of the hedging arrangements in place, the total cash outflow recorded by the Group was £220.4m.

On 6 September 2021, the Group repaid loan notes on maturity with a principal values of £25.0m. On 14 December 2021, the Group repaid loan notes with a principal value of US$93.5m originally due for repayment in January 2022. As a result of the hedging arrangements in place, the total cash outflow recorded by the Group was £83.5m.

Senior unsecured bonds

The Group has issued senior unsecured bonds with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
2025 senior unsecured bonds	2015	£450.0m	16 October 2025	3.375%
2027 senior unsecured green use of proceeds bonds	2021	£300.0m	31 May 2027	2.375%
2031 senior unsecured green use of proceeds bonds	2021	£250.0m	31 May 2031	3.000%

The 2027 green use of proceeds bonds were issued on 10 February 2021. Interest is payable annually on 31 May. The bonds were initially priced at 99.516% of face value and are unsecured.

The 2031 green use of proceeds bonds were issued on 10 February 2021. Interest is payable annually on 31 May. The bonds were initially priced at 99.327% of face value and are unsecured.

On issue of these bonds, the Group received gross proceeds of £546.8m and incurred arrangement fees of £2.8m. The bonds contain an early prepayment option which meets the definition of an embedded derivative. This was assessed to have a value of £nil as at the year end.

Arrangement fees of £3.4m (2021: £3.9m) directly incurred in relation to the bond facilities are included in the carrying value and are being amortised over the term of the facilities.

20 BORROWINGS CONTINUED

UK Government CCFF

The Group's eligibility to issue commercial paper under the UK Government Covid Corporate Financing Facility expired on 22 March 2021. The Group's issuer limit was £300.0m, reduced from an initial limit of £600.0m following the reduction in Whitbread's credit rating to BBB-. The Group did not draw down on the facility during the year or prior to its expiry on 22 March 2021.

21 MOVEMENTS IN CASH AND NET DEBT

YEAR ENDED 3 MARCH 2022	**25 February 2021 £m**	**Cost of borrowings £m**	**Cash flow £m**	**Net new lease liabilities £m**	**Foreign exchange £m**	**Fair value adjustments to loans £m**	**Amortisation of premiums and discounts £m**	**3 March 2022 £m**
Cash and cash equivalents	**1,256.0**	**–**	**(123.0)**	**–**	**(0.6)**	**–**	**–**	**1,132.4**
LIABILITIES FROM FINANCING ACTIVITIES								
Borrowings	**(1,302.5)**	**–**	**303.9**	**–**	**8.1**	**–**	**(1.4)**	**(991.9)**
Lease liabilities	**(3,231.6)**	**–**	**127.1**	**(619.4)**	**22.1**	**–**	**–**	**(3,701.8)**
Derivatives held to hedge financing activities	**5.8**	**–**	**–**	**–**	**–**	**(5.8)**	**–**	**–**
Total liabilities from financing activities	**(4,528.3)**	**–**	**431.0**	**(619.4)**	**30.2**	**(5.8)**	**(1.4)**	**(4,693.7)**
Less: lease liabilities	**3,231.6**	**–**	**(127.1)**	**619.4**	**(22.1)**	**–**	**–**	**3,701.8**
Less: derivatives held to hedge financing activities	**(5.8)**	**–**	**–**	**–**	**–**	**5.8**	**–**	**–**
NET (DEBT)/CASH	**(46.5)**	**–**	**180.9**	**–**	**7.5**	**–**	**(1.4)**	**140.5**

YEAR ENDED 25 FEBRUARY 2021	27 February 2020 £m	Cost of borrowings £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	25 February 2021 £m
Cash and cash equivalents	502.6	–	752.0	–	1.4	–	–	1,256.0
LIABILITIES FROM FINANCING ACTIVITIES								
Borrowings	(825.5)	5.5	(471.7)	–	5.8	7.5	(24.1)	(1,302.5)
Lease liabilities	(2,620.6)	–	79.0	(686.9)	(3.1)	–	–	(3,231.6)
Derivatives held to hedge financing activities	17.7	–	–	–	–	(11.9)	–	5.8
Total liabilities from financing activities	(3,428.4)	5.5	(392.7)	(686.9)	2.7	(4.4)	(24.1)	(4,528.3)
Less: lease liabilities	2,620.6	–	(79.0)	686.9	3.1	–	–	3,231.6
Less: derivatives held to hedge financing activities	(17.7)	–	–	–	–	11.9	–	(5.8)
NET (DEBT)/CASH	(322.9)	5.5	280.3	–	7.2	7.5	(24.1)	(46.5)

22 LEASE ARRANGEMENTS

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales. The Group also leases various plant and equipment under non-cancellable operating lease agreements.

An analysis of the Group's right-of-use asset and lease liability is as follows:

RIGHT-OF-USE ASSET	Property £m	Other £m	Total right-of-use assets £m	Investment property £m	Total £m
At 27 February 2020	2,271.5	2.2	2,273.7	–	2,273.7
Additions	427.7	1.0	428.7	15.4	444.1
Recognised on acquisition of a subsidiary	193.3	–	193.3	51.9	245.2
Impairment	(36.7)	–	(36.7)	–	(36.7)
Foreign currency adjustment	2.9	–	2.9	0.7	3.6
Depreciation	(122.0)	(1.3)	(123.3)	(3.0)	(126.3)
Terminations	–	(0.2)	(0.2)	–	(0.2)
AT 25 FEBRUARY 2021	**2,736.7**	**1.7**	**2,738.4**	**65.0**	**2,803.4**
Additions	**612.9**	**0.8**	**613.7**	**–**	**613.7**
Impairment	**21.7**	**–**	**21.7**	**–**	**21.7**
Foreign currency adjustment	**(22.9)**	**–**	**(22.9)**	**–**	**(22.9)**
Depreciation	**(144.0)**	**(1.1)**	**(145.1)**	**(3.0)**	**(148.1)**
Terminations	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Transfers	**62.0**	**–**	**62.0**	**(62.0)**	**–**
AT 3 MARCH 2022	**3,266.2**	**1.4**	**3,267.6**	**–**	**3,267.6**

LEASE LIABILITY	Property £m	Other £m	Total right-of-use assets £m	Investment property £m	Total £m
At 27 February 2020	2,618.8	1.8	2,620.6	–	2,620.6
Additions	419.9	1.0	420.9	16.0	436.9
Recognised on acquisition of a subsidiary	193.3	–	193.3	51.9	245.2
Interest	122.0	0.1	122.1	1.1	123.2
Foreign currency adjustment	2.5	–	2.5	0.6	3.1
Payments	(189.9)	(1.3)	(191.2)	(3.6)	(194.8)
Terminations	(2.4)	(0.2)	(2.6)	–	(2.6)
AT 25 FEBRUARY 2021	**3,164.2**	**1.4**	**3,165.6**	**66.0**	**3,231.6**
Additions	**618.8**	**0.8**	**619.6**	**–**	**619.6**
Interest	**132.0**	**0.1**	**132.1**	**1.1**	**133.2**
Foreign currency adjustment	**(22.1)**	**–**	**(22.1)**	**–**	**(22.1)**
Payments	**(255.9)**	**(0.8)**	**(256.7)**	**(3.6)**	**(260.3)**
Terminations	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Transfers	**63.5**	**–**	**63.5**	**(63.5)**	**–**
AT 3 MARCH 2022	**3,700.3**	**1.5**	**3,701.8**	**–**	**3,701.8**

1 During 2020/21, the Group acquired leasehold sites which was sub-leased to a third party and recorded within investment property. During the year, the property was transferred to right of use assets for property, plant and equipment as the sub-lease ended and the Group took over the operations of the hotel.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £583.3m (2020/21: £399.7m) relating to new leases and £34.3m (2020/21: £36.8m) relating to amendments to existing leases. The Group received cash lease incentives of £2.0m (2020/21: £2.7m) and paid cash lease incentives of £nil (2020/21: £7.6m) on entering new and amended leases.

A maturity analysis of gross lease liability payments is included within Note 24.

Amendments to IFRS 16: *Covid-19-Related Rent Concessions*

During the final quarter of the prior financial year, the Group underpaid lease payments with a total value of £22.7m. As a result, the underpaid amount was included within lease liabilities in the consolidated balance sheet. Substantially all of these amounts were paid in FY22. The Group early adopted the requirements of Amendments to IFRS 16: Covid-19-Related Rent Concessions during the prior year. As a result of early adopting these requirements, rent deferrals which would otherwise have been treated as lease modifications were accounted for as if the change was not a lease modification. The adoption of the amendments had no impact on the consolidated income statement.

22 LEASE ARRANGEMENTS CONTINUED

Amounts recognised in the Group income statement

	2021/22 £m	2020/21 £m
Depreciation expense of right-of-use assets	**148.1**	126.3
Interest expense on lease liabilities	**133.2**	123.2
Expense relating to low-value assets and short-term leases	**–**	–
Variable lease payment expense/(credit)	**0.3**	(0.6)
Impairment (reversals)/losses of right-of-use assets (Note 15)	**(21.7)**	36.7
Lease income	**(7.9)**	(7.8)
NET LEASE EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	**252.0**	277.8

Amounts recognised in the Group cash flow statement

The Group's total cash outflow in relation to leases was £260.6m (2020/21: £201.8m).

Future possible cash outflows not included in the lease liability

The Group has several lease contracts that include extension and termination options. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease liability.

	2022 £m	2021 £m
Extension options expected not to be exercised	**906.6**	797.6
Termination options expected to be exercised	**–**	–
	906.6	797.6

The Group uses judgement in determining whether termination and extension option periods will be included within the lease term. The Group assumes that, unless a decision has been made to exit a lease, termination options will not be exercised as a result of historic practices within the Group. At the outset of a lease, the Group assumes that it will not exercise extension options. Due to the length of the Group's leases, there is generally insufficient evidence that exercising an extension option is certain.

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Approximately 71% of the Group's lease liabilities are subject to inflation-linked rentals and a further 14% are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis.

As at 3 March 2022, the Group was committed to leases with future cash outflows totalling £2,106.7m (2021: £2,690m) which had not yet commenced and as such are not accounted for as a liability. A liability and corresponding right-of-use asset will be recognised for these leases at the lease commencement date.

The Group as a lessor

The Group acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year is £7.9m (2020/21: £7.8m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2022 £m	2021 £m
Within one year	**2.9**	7.9
After one year but not more than five years	**5.2**	10.0
More than five years	**6.4**	10.7
	14.5	28.6

23 PROVISIONS

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance claims £m	Government payments £m	Other £m	Total £m
At 27 February 2020	2.0	11.1	31.9	–	–	3.4	48.4
Created	5.8	4.9	–	2.2	3.6	–	16.5
Transferred	–	–	–	6.8	–	–	6.8
Utilised	(5.8)	(4.3)	(12.9)	(1.8)	–	(0.3)	(25.1)
Released	(0.9)	(1.6)	(3.3)	–	–	(1.3)	(7.1)
AT 25 FEBRUARY 2021	**1.1**	**10.1**	**15.7**	**7.2**	**3.6**	**1.8**	**39.5**
Created	**0.4**	**0.9**	**–**	**3.0**	**11.8**	**–**	**16.1**
Utilised	**(0.8)**	**(5.3)**	**(9.1)**	**(2.0)**	**(3.8)**	**–**	**(21.0)**
Released	**(0.3)**	**(0.7)**	**–**	**–**	**(2.3)**	**–**	**(3.3)**
AT 3 MARCH 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Analysed as:							
Current	**0.4**	**2.5**	**5.2**	**0.4**	**9.3**	**1.8**	**19.6**
Non-current	**–**	**2.5**	**1.4**	**7.8**	**–**	**–**	**11.7**
AT 3 MARCH 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Analysed as:							
Current	1.1	8.3	15.7	–	3.6	1.8	30.5
Non-current	–	1.8	–	7.2	–	–	9.0
AT 25 FEBRUARY 2021	**1.1**	**10.1**	**15.7**	**7.2**	**3.6**	**1.8**	**39.5**

Restructuring
A provision of £1.1m was brought forward in relation to the restructure of the Groups support centre and site operations announced as a result of the COVID-19 pandemic. During the year the Group utilised £0.8m of the provision and £0.3m was released to the income statement.

Onerous contracts
Onerous contract provisions relate primarily to property, software licences and supplier contracts where the contracts have become onerous. Provision is made for property-related costs for the period that a sublet or assignment of the lease is not possible.

Onerous contract provisions are discounted using a discount rate of 2.0% (2021: 2.0%) based on an approximation for the time value of money.

Property
The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 12 years and £0.3m has been utilised in the year.

Software
Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year-end, a provision of £0.8m (2021: £3.0m) was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

A provision of £1.1m was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. During the year, the Group utilised £0.4m of the provision.

Supplier contracts
Certain supplier contract arrangements were deemed to be onerous where, as a result of the reduced trading brought on by the COVID-19 pandemic restrictions minimum order commitments were not going to be met. A provision of £3.3m was brought forward in relation to these contracts. During the year the Group utilised £2.4m of the provision and released £0.7m of the provision to the income statement.

23 PROVISIONS CONTINUED

Property costs

From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of the Group's sites. As a result, a provision of £15.7m was brought forward in relation to these costs. During the year £9.1m of the provision has been utilised and £nil of costs have been released. £5.2m of the remaining provision is expected to be utilised within one year.

In addition, the Group has recognised £nil (2021/21: £13.4m) reimbursements of those costs from property developers. The Group continues to pursue further reimbursements which are not recognised as the recovery is not certain.

The Group utilises the skills and expertise of both internal and external property experts to determine the provision held.

Insurance

A provision of £7.2m was brought forward in relation to the estimate of the cost of future claims against the Group from employees and the public. The claims covered typically relate to accidents and injuries sustained in Whitbread's sites. During the year further provisions of £3.0m were created and £2.0m of the provision was utilised.

Government payments

The Group has made various claims for government support which are subject to the review by relevant agencies. The provision recognised represents the Group's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £3.6m was brought forward in relation to these claims. During the year further provisions of £11.8m were created and £3.8m of the provision was utilised. Due to the complex nature and fast pace of changes in the rules around certain government payments, the Group has endeavoured to apply and adhere to the rules in place. In certain areas where a rule interpretation was required, the Group has claimed in accordance with its assumptions. Subsequent 3rd party review has highlighted an alternative assumption could be formed and on the basis of a probable outflow a provision based on that approach has been made.

Other

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a provision of £3.7m for risks arising from indemnity agreements. At 3 March 2022, £1.8m of the provision was still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. The interest rate swaps for sterling were expired in February 2022. At the year-end, £991.9m (100%) of Group debt was fixed for an average of 5.5 years at an average interest rate of 3.0% (2021: £1,302.5m (100%) for 5.3 years at 3.0%).

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 3 March 2022 and 25 February 2021 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

› balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move; and

› gains or losses are recognised in equity or the consolidated income statement in line with the accounting policies set out in Note 2.

Based on the Group's net debt/cash position at the year-end, a 1% pt increase in interest rates would increase the Group's profit before tax by £11.3m (2021: £12.5m), and have nil impact on equity (2021: £0.8m).

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Liquidity risk

In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit where maturity is fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 3 March 2022 and 25 February 2021 based on contractual undiscounted payments, including interest:

3 MARCH 2022	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m	Carrying value
Interest-bearing loans and borrowings	–	**19.0**	**15.2**	**554.1**	**594.6**	**1,182.9**	**991.9**
Lease liabilities[1]	–	**67.3**	**206.5**	**1,116.5**	**4,918.3**	**6,308.6**	**3,701.8**
Trade and other payables	–	**163.6**	**12.4**	**1.2**	–	**177.2**	**176.9**
	–	**249.9**	**234.1**	**1,671.8**	**5,512.9**	**7,668.7**	**4,870.6**

25 FEBRUARY 2021	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m	Carrying value
Interest-bearing loans and borrowings	–	221.8	102.4	573.7	609.3	1,507.2	1,302.5
Lease liabilities[1]	–	54.6	175.1	925.5	4,513.4	5,668.6	3,231.6
Derivative financial instruments	–	–	2.4	–	–	2.4	2.4
Trade and other payables	–	71.2	37.7	26.8	–	135.7	134.0
	–	347.6	317.6	1,526.0	5,122.7	7,313.9	4,670.5

1 Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,324.5m (2021: £1,140.2m) due between 5 and 10 years, £1,925.3m (2021: £1,859.4m) due between 10 and 20 years and £1,668.5m (2021: £1,513.8m) due in more than 20 years.

Credit risk

Due to the high level of cash held at the year-end, the most significant credit risk faced by the Group is that arising on cash and cash equivalents. The Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties and dealing in accordance with Group Treasury Policy which specifies acceptable credit ratings and maximum investments for any counterparty.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities.

The Group is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date.

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £1,240.4m (2021: £1,327.4m).

Foreign currency risk

Foreign exchange exposure is currently not significant to the Group.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required. In October 2019, the Group entered into a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany. See Note 25 for more details.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 26 to 33 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. In addition, it has received covenant test waivers for its pension scheme for the period to 3 March 2022 and repaid the private placement loan notes during the year. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. The covenants which have been waived relate to measurement of adjusted EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis).

The above matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

Interest rate benchmark reform

The Group has assumed that the interest rate benchmark on which the hedged risk or the cash flows of the hedged item or hedging instrument are based is not altered by uncertainties resulting from the proposed interest rate benchmark reform.

The RCF was transitioned to the agreed Risk Free Rate (SONIA) from GBP LIBOR effective 1 January 2022.

25 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities at each reporting date are as follows:

	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
AS AT 3 MARCH 2022					
Trade and other receivables	**92.2**	**–**	**–**	**–**	**92.2**
Cash and cash equivalents	**375.1**	**–**	**–**	**757.3**	**1,132.4**
Interest-bearing loans and borrowings	**–**	**(991.9)**	**–**	**–**	**(991.9)**
Lease liabilities	**–**	**(3,701.8)**	**–**	**–**	**(3,701.8)**
Derivative financial instruments	**–**	**–**	**15.8**	**–**	**15.8**
Trade and other payables	**–**	**(151.8)**	**–**	**–**	**(151.8)**
Contingent consideration	**–**	**–**	**–**	**(25.1)**	**(25.1)**
AS AT 25 FEBRUARY 2021					
Trade and other receivables	56.6	–	–	–	56.6
Cash and cash equivalents	244.2	–	–	1,011.8	1,256.0
Interest-bearing loans and borrowings	–	(1,302.5)	–	–	(1,302.5)
Lease liabilities	–	(3,231.6)	–	–	(3,231.6)
Derivative financial instruments	–	–	12.4	–	12.4
Trade and other payables	–	(71.2)	–	–	(71.2)
Contingent consideration	–	–	–	(62.8)	(62.8)

Fair values

IFRS 13 *Fair Value Measurement* requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 – Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities measured at amortised cost

The carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables are considered to be reasonable approximations of their fair values largely due to the short-term maturities of these instruments.

The fair value of the Group's borrowings is estimated at £988.9m. The fair value of the Group's borrowings is based on level 1 valuation techniques where there is an active market for the instrument and on level 2 valuation techniques otherwise.

Financial assets and liabilities measured at fair value

	2022 £m	2021 £m
FINANCIAL ASSETS		
Derivative financial instruments – level 2	**15.8**	14.8
FINANCIAL LIABILITIES		
Derivative financial instruments – level 2	**–**	2.4
Contingent consideration – level 3	**25.1**	62.8

25 FINANCIAL INSTRUMENTS CONTINUED

During the year ended 3 March 2022, there were no transfers between fair value measurement levels. Derivative financial instruments include £15.8m assets (2021: £6.6m) and £nil liabilities (2021: £nil) due after one year. Contingent consideration includes £1.2m (2021: £25.6m) due after one year.

The fair value of derivative instruments classified as level 2 is calculated by discounting all future cash flows by the relevant market discount rate at the balance sheet date.

The fair value of contingent consideration relating to acquisitions is classified as level 3. Details of the valuation are included in Note 26.

Derivative financial instruments

Cash flow hedges

Interest rate risk

The Group is exposed to interest rate risk associated with drawdowns on the revolving credit facility during the year which incur interest at a variable rate. The Group had interest rate swaps in place which matured in February 2022. In addition, the Group did not draw down on the UK Government Covid Corporate Financing Facility during the year or prior to its expiry on 22 March 2021.

Foreign currency risk

The Group was exposed to foreign currency risk associated with the private placement bonds denominated in US$ and had cross-currency swaps in place in relation to the interest and principal repayment. These bonds were repaid during the year (see Note 20) and therefore the cross currency swaps are no longer held.

Hedge of net investment in foreign operations

In October 2019, the group entered into cross-currency swaps, whereby it pays an average fixed rate of 2.12% on a notional amount of €521.0m and receives a fixed rate of 3.375% on a notional amount of £450.0m. These swaps are being used as a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany. The swaps mature in October 2025 in line with the bonds.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the cross-currency swaps. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the nominal amount of the swaps.

The net investment hedges were assessed to be highly effective at 3 March 2022 and a net unrealised gain of £9.7m (2021: gain of £8.5m) has been recorded in the translation reserve. The Group has recorded costs of hedging of £2.5m within finance costs in the consolidated income statement as a result of the foreign currency basis spread within the hedging instrument.

25 FINANCIAL INSTRUMENTS CONTINUED

The impact of the hedging instruments and hedged items on the statement of financial position is as follows:

AS AT 3 MARCH 2022	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
NET INVESTMENT IN FOREIGN OPERATIONS						
Cross-currency swaps	450.0	15.8	Derivative financial instruments	9.0	Net investment in foreign subsidiaries	(9.0)

AS AT 25 FEBRUARY 2021	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
CASH FLOW HEDGES						
Interest rate swaps	50.0	(2.4)	Derivative financial instruments	(0.4)	Revolving credit facility	0.4
Cross-currency swaps	58.5	8.2	Derivative financial instruments	(5.4)	US$ denominated loans	5.8
NET INVESTMENT IN FOREIGN OPERATIONS						
Cross-currency swaps	450.0	6.5	Derivative financial instruments	(8.5)	Net investment in foreign subsidiaries	8.5

The impact of the hedging instruments in the consolidated income statement and other comprehensive income (OCI) is as follows:

	Total hedging loss recognised in OCI £m	Amount reclassified from OCI to profit or loss £m	Line item in the consolidated income statement £m	Accumulated value recognised in cash flow hedge reserve £m
2021/22				
Interest rate swaps	**(0.2)**	**2.5**	Finance costs	**–**
Cross-currency swaps	**(8.0)**	**8.1**	Finance costs	**–**
2020/21				
Interest rate swaps	(0.4)	2.4	Finance costs	(2.4)
Cross-currency swaps	(5.4)	5.7	Finance costs	0.1

25 FINANCIAL INSTRUMENTS CONTINUED

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £m	Foreign currency translation reserve £m
At 27 February 2020	(3.6)	18.6
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	(0.4)	–
– Cross-currency swaps	(5.4)	–
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	2.4	–
– Cross-currency swaps	5.7	–
Foreign exchange arising on consolidation	–	19.3
Fair value movement on derivatives designated as net investment hedges	–	(8.5)
Deferred tax impact	(0.6)	(0.7)
AT 25 FEBRUARY 2021	**(1.9)**	**28.7**
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	**(0.2)**	**–**
– Cross-currency swaps	**(8.0)**	**–**
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	**2.5**	**–**
– Cross-currency swaps	**8.1**	**–**
Foreign exchange arising on consolidation	**–**	**(16.0)**
Fair value movement on derivatives designated as net investment hedges	**–**	**9.7**
Deferred tax impact	**(0.5)**	**1.9**
AT 3 MARCH 2022	**–**	**24.3**

Cash flow and fair value hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 24. There have been no amounts reclassified to profit or loss as a result of the hedged cash flow no longer being expected to occur. The foreign currency translation reserve includes an accumulated amount of £14.2m (2021: £4.5m) relating to derivatives designated as net investment hedges.

26 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	**73.7**	24.2
Other taxes and social security	**25.8**	26.5
Contract liabilities	**146.2**	41.3
Accruals	**223.0**	140.3
Other payables	**78.1**	47.0
Contingent consideration	**25.1**	62.8
	571.9	342.1

ANALYSED AS:		
Current	**570.7**	316.5
Non-current	**1.2**	25.6
	571.9	342.1

Included with contract liabilities is £141.4m (2021: £37.5m) relating to payments received for accommodation where the stay will take place after the year-end and £4.8m (2021: £3.8m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £41.3m presented as a contract liability in 2021 has been recognised in revenue (2021: £51.0m).

Trade payables typically have maturities up to 60 days depending on the nature of the purchase transaction and the agreed terms.

26 TRADE AND OTHER PAYABLES CONTINUED

Contingent consideration

	2022 £m	2021 £m
Opening contingent consideration	**62.8**	4.4
Recognised on acquisition of a subsidiary	**–**	56.3
Recognised on acquisition of assets	**–**	1.9
Unwinding of discount rate	**1.4**	2.1
Paid during the period	**(36.3)**	(3.8)
Foreign exchange movements	**(2.8)**	1.9
CLOSING CONTINGENT CONSIDERATION	**25.1**	62.8

The Group has contingent consideration in relation to 9 pipeline sites from acquisitions in the current and previous years which is held at fair value. The amounts payable are fixed and become payable once development of the site is complete and the site has been handed over to the Group, which is expected to occur within three years. The fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate. A 1% decrease/increase in the discount rate would increase/decrease the value of contingent consideration by £0.1m.

Foreign exchange movements on contingent consideration are recognised within exchange differences on translation of foreign operations in the consolidated statement of comprehensive income.

27 SHARE CAPITAL

ORDINARY SHARE CAPITAL ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH (2021: 76.80P EACH)	million	£m
At 27 February 2020	147.0	112.9
Issued on exercise of employee share options	0.1	0.1
Issued in rights issue	67.3	51.7
AT 25 FEBRUARY 2021	**214.4**	**164.7**
Issued on exercise of employee share options	**0.1**	**0.1**
AT 3 MARCH 2022	**214.5**	**164.8**

Rights issue

In June 2020, the Group offered a fully underwritten rights issue to existing shareholders on the basis of one share for every two fully paid ordinary shares held. The Company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550p per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

Employee share options

During the year, options over 0.1m (2020/21: 0.1m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Group received proceeds of £1.9m (2020/21: £2.9m) on exercise of these options.

27 SHARE CAPITAL CONTINUED

Preference share capital

ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2021: 1P EACH)	B shares		C shares	
	million	£m	million	£m
AT 17 FEBRUARY 2020, 25 FEBRUARY 2021 AND 3 MARCH 2022	2.0	–	1.9	–

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 RESERVES

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which arose on transition to IFRS.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, other foreign currency investments and exchange differences on derivative instruments that provide a hedge against net investments in foreign operations.

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve £m	Merger reserve £m	Hedging reserve £m	Excluded component of hedge reserve £m	Total other reserves £m
At 27 February 2020	527.0	1,855.0	3.6	–	2,385.6
Other comprehensive income – net gain on cash flow hedges (Note 25)	–	–	(2.3)	–	(2.3)
Other comprehensive income – deferred tax on cash flow hedges (Note 25)	–	–	0.6	–	0.6
Loss on ESOT shares issued	(6.7)	–	–	–	(6.7)
AT 25 FEBRUARY 2021	**520.3**	**1,855.0**	**1.9**	**–**	**2,377.2**
Other comprehensive income – net gain on cash flow hedges (Note 25)	**–**	**–**	**(2.4)**	**–**	**(2.4)**
Other comprehensive income – deferred tax on cash flow hedges (Note 25)	**–**	**–**	**0.5**	**–**	**0.5**
Other comprehensive income – gain on net investment hedge	**–**	**–**	**–**	**0.7**	**0.7**
Cost of hedging	**–**	**–**	**–**	**(2.5)**	**(2.5)**
Loss on ESOT shares issued	**(3.2)**	**–**	**–**	**–**	**(3.2)**
AT 3 MARCH 2022	**517.1**	**1,855.0**	**–**	**(1.8)**	**2,370.3**

28 RESERVES CONTINUED

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 27 February 2020	12.5	514.5	1.0	12.5
Exercised during the year	–	–	(0.6)	(6.7)
AT 25 FEBRUARY 2021	**12.5**	**514.5**	**0.4**	**5.8**
Exercised during the year	**–**	**–**	**(0.2)**	**(3.2)**
AT 3 MARCH 2022	**12.5**	**514.5**	**0.2**	**2.6**

Merger reserve

The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve

The hedging reserve records movements for effective cash flow hedges measured at fair value.

Excluded component of hedge reserve

The excluded component of hedge reserve records movements in the elements of derivatives used in hedging arrangements that are excluded from the hedge relationship.

29 ANALYSIS OF CASH FLOWS GIVEN IN THE CASH FLOW STATEMENT

	2021/22 £m	2020/21 £m
Profit/(loss) for the year	**42.5**	(906.5)
Adjustments for:		
Tax expense/(credit)	**15.7**	(100.9)
Net finance costs (Note 8)	**169.1**	168.3
Share of (profit)/loss from joint ventures	**(0.4)**	7.7
Depreciation and amortisation	**326.9**	300.2
Share-based payments	**12.9**	12.7
Impairment (reversals)/write offs (Note 15)	**(34.4)**	356.2
Gains on disposals, property and other provisions	**(28.8)**	(5.0)
Timing difference on insurance receipts	**–**	14.0
Other non-cash items	**7.7**	26.1
CASH GENERATED FROM/(USED IN) OPERATIONS BEFORE WORKING CAPITAL CHANGES	**511.2**	(127.2)
(Increase)/decrease in inventories	**(7.3)**	1.5
(Increase)/decrease in trade and other receivables	**(45.4)**	27.8
Increase/(decrease) in trade and other payables	**235.2**	(129.1)
CASH GENERATED FROM/(USED IN) OPERATIONS	**693.7**	(227.0)

Other non-cash items include an inflow of £0.8m representing a bad debt charge, an inflow of £4.3m (2020/21: £9.2m) as a result of net provision movements and an inflow of £2.6m (2020/21: £3.8m) representing non-cash pension scheme administration costs. During 2020/21, other non-cash items also include £12.4m representing the write off of a deposit paid in relation to an acquisition.

30 CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed in the year ended 3 March 2022 (2021: none).

31 SHARE-BASED PAYMENT PLANS

Long Term Incentive Plan (LTIP)

The LTIP awarded shares to directors and senior executives of the Group. Vesting of all shares under the scheme depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period). The awards are settled in equity once exercised. No further LTIP awards have been issued since FY20 as they have been replaced by the Restricted Share Plan options.

Deferred equity awards

Awards are made under the Whitbread Leadership Group Incentive Scheme. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be appropriate by the Remuneration Committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made, none of the awards vest, between the first and second anniversary, 25% vests and between the second and third anniversary, 50% vests. The awards are settled in equity once exercised.

Performance Share Plan

The Performance Share Plan (PSP) was a one-off award incentivising the executive directors on the separation of Costa from the Whitbread Group and replaced the 2018 and 2019 LTIP awards for the executive directors. Vesting of the awards under the scheme was triggered by completion of the separation of Costa from Whitbread and dependent on continued employment and meeting return on capital employed (ROCE), Total Shareholder Return (TSR) and Strategic Objectives performance targets. The vested award was subject to a two-year holding period and then settled in equity once exercised.

R&R Scheme

The R&R Scheme enables Whitbread to make share awards periodically on a flexible basis. There are typically no performance conditions but these can be imposed by Whitbread at time of grant. In 2018 a one-off award was made to Whitbread's senior leaders (excluding executive directors) vesting in two tranches (March 2020 and March 2021). A similar award was made in 2020 vesting in March 2023 and March 2024. During the prior year, 187,781 awards previously made to employees under the Restricted Share Plan were replaced by 187,781 awards under the R&R scheme. The awards issued are subject to being in employment at date of vesting with no performance conditions. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the CEO and if granted will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised.

Restricted Share Plan

At the general meeting held on 6 December 2019, it was agreed that the Restricted Share Plan would replace the Long-Term Incentive Plan. Vesting of all shares under the scheme will depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) underpin targets over a period of at least three years. After vesting there is an additional holding period such that the underpin measurement period and holding period is at least five years. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the Remuneration Committee and if granted will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised.

31 SHARE-BASED PAYMENT PLANS CONTINUED

Movements in the number of share awards are as follows:

53 WEEKS TO 3 MARCH 2022	Outstanding at the beginning of the year	Granted during the year	Replaced during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Long Term Incentive Plan	**149,688**	**–**	**–**	**(17,859)**	**(1,330)**	**130,499**	**129,613**
Deferred equity awards	**242,160**	**4,345**	**–**	**(79,978)**	**(12,186)**	**154,341**	**5,998**
R&R Scheme	**652,851**	**12,146**	**–**	**(139,583)**	**(1,959)**	**523,455**	**9,586**
Restricted Share Plan	**106,687**	**167,673**	**–**	**–**	**(19,485)**	**254,875**	**-**
	1,151,386	**184,164**	**–**	**(237,420)**	**(34,960)**	**1,063,170**	**145,197**

52 WEEKS TO 25 FEBRUARY 2021	Outstanding at the beginning of the year	Granted during the year[1]	Replaced during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
Long Term Incentive Plan	342,422	36,848	–	(84,094)	(145,488)	149,688	61,472
Deferred equity awards	178,210	151,615	–	(81,417)	(6,248)	242,160	9,627
Performance Share Plan	162,627	31,228	–	(193,855)	–	–	–
R&R Scheme	234,035	352,824	187,781	(108,654)	(13,135)	652,851	22,135
Restricted Share Plan	69,191	239,533	(187,781)	–	(14,256)	106,687	–
	986,485	812,048	–	(468,020)	(179,127)	1,151,386	93,234

1 Awards granted during the year includes an adjustment of 138,563 shares as a result of the bonus factor of the rights issue which completed in June 2020.

Employee Sharesave scheme

The employee Sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

The weighted average exercise price (WAEP) of movements in the number of share awards are as follows:

	2021/22		2020/21	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**1,139,975**	**26.59**	775,294	32.25
Granted during the year[1]	**410,032**	**24.86**	783,707	25.68
Exercised during the year	**(81,727)**	**26.15**	(111,796)	25.37
Expired during the year	**(295,172)**	**26.65**	(307,230)	27.53
Outstanding at the end of the year	**1,173,108**	**26.01**	1,139,975	26.59
Exercisable at the year-end	**89,941**	**30.66**	101,400	27.23

1 Awards granted during the prior year includes an adjustment of 115,724 shares as a result of the bonus factor of the rights issue which completed in June 2020.

Outstanding options to purchase ordinary shares of 76.80p between 2022 and 2027 are exercisable at prices between £25.33 and £31.62 per share (2021: between 2021 and 2026 at prices between £25.27 and £33.22). The weighted average share price at the date of exercise for options exercised during the year was £31.63 (2021: £25.94).

The weighted average contractual life of the share options outstanding as at 3 March 2022 is between 2 and 3 years.

31 SHARE-BASED PAYMENT PLANS CONTINUED

The following table lists the inputs to the model used for the years ended 3 March 2022 and 25 February 2021:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
Deferred equity awards	27.04.2021	–	32.97	3.00	0.75	N/A	N/A	Service[3]
Deferred equity awards	01.03.2020	–	23.63	3.00	0.25	N/A	N/A	Service[3]
R&R awards – 2 years	17.12.2020	–	31.60	2.00	–	N/A	N/A	Service[3]
R&R awards – 3 years	17.12.2020	–	31.60	3.00	0.75	N/A	N/A	Service[3]
Restricted share plan	27.04.2021	–	32.97	3.00	0.75	N/A	N/A	Non-market[1,2,3,4]
Restricted share plan	01.03.2020	–	23.63	3.00	0.25	N/A	N/A	Non-market[1,3,4]
SAYE – 3 years	23.12.2021	24.86	29.63	3.25	2.00	45.0	0.69	Service[3]
SAYE – 3 years	23.12.2020	25.33	31.38	3.25	0.75	45.0	0.02	Service[3]
SAYE – 5 years	23.12.2021	24.86	29.63	5.25	2.00	45.0	0.75	Service[3]
SAYE – 5 years	23.12.2020	25.33	31.38	5.25	1.25	45.0	(0.08)	Service[3]

1 Return on capital employed.

2 Other performance conditions.

3 Employment service.

4 Lease adjusted net debt.

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free rate is the rate of interest obtainable from Government securities over the expected life of the equity incentive. The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the share based payment plans. The ESOT held 0.2m shares at 3 March 2022 (2021: 0.4m). All dividends on the shares in the ESOT are waived by the Trustee.

TOTAL CHARGED TO THE CONSOLIDATED INCOME STATEMENT FOR ALL SCHEMES	2021/22 £m	2020/21 £m
Long Term Incentive Plan	**–**	0.7
Deferred equity	**1.5**	2.7
Performance Share Plan	**–**	0.1
R&R Scheme	**5.5**	4.7
Restricted Share Plan	**1.6**	0.1
Employee Sharesave scheme	**4.3**	4.4
EQUITY-SETTLED	**12.9**	12.7

Accrued share-based payments in the consolidated statement of changes in equity includes £nil (2020/21: £1.3m) relating to shares issued to satisfy the prior year annual incentive scheme.

32 RETIREMENT BENEFITS

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the consolidated income statement in relation to the defined contribution scheme in the year was £11.0m (2020/21: £10.8m). At the year-end, the Group owed outstanding contributions of £nil (2021: £1.7m) in respect of the defined contribution scheme.

At the year-end, 23,449 employees (2021: 20,985) were active members of the scheme, which also had 52,303 deferred members (2021: 48,152).

32 RETIREMENT BENEFITS CONTINUED

Defined benefit scheme

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The Whitbread Group Pension Fund is set up under UK trust law, registered with Her Majesty's Revenue and Customs and regulated by the Pensions Regulator. The Whitbread Group Pension Fund is governed by a corporate Trustee which operates the scheme in accordance with the requirements of UK pensions legislation.

At the year-end, the scheme had no active members (2021: nil), 18,606 deferred pensioners (2021: 19,243) and 16,089 pensions in payment (2021: 16,145).

The surplus recognised in the consolidated balance sheet in respect of the defined benefit pension scheme is the fair value of the plan assets less the present value of the defined benefit obligation at the end of the reporting period. The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by, Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

The surplus has been recognised as, under the governing documentation of the Whitbread Group Pension Fund, the Group has an unconditional right to receive a refund, assuming the gradual settlement of the scheme liabilities over time until all members and their dependants have either died or left the scheme, in accordance with the provisions of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.0 years (2021: 17.0 years).

Funding

Expected contributions to be made in the next reporting period total £14.6m (2020/21: £13.7m). In 2021/22, contributions were £13.0m with £2.6m from the employer, £10.3m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2020/21: £13.0m, with £2.7m from the employer, £10.2m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2020/21: £1.8m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2020 by Towers Watson Ltd using the projected unit credit method. The valuation showed a surplus of assets relative to technical provisions of £55.0m (31 March 2017: deficit of £450.0m). As a result, no deficit reduction contributions are due.

As part of the valuation discussion, Whitbread and the Pension Fund Trustee agreed changes to the security package that supports the Pension Fund. The EBITDA related covenant was permanently removed and the security that the Trustee holds over £500.0m of Whitbread's freehold property (and which was due to reduce to £450.0m in March 2022) will increase to £531.5m and will remain at this level until no further obligations are due under the Scottish Partnership arrangements which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500.0m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit.

32 RETIREMENT BENEFITS CONTINUED

Investment in Moorgate SLP

The Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m which is included in the charge of £500.0m above. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next four years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will, depending on the funding position of the Pension Scheme at that time, be transferred in cash to the Pension Scheme up to a value of £150.0m.

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension surplus position in these consolidated financial statements does not reflect the £96.8m (2020: £162.4m) investment in Moorgate SLP held by the Pension Scheme.

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 surplus, the most significant of which are detailed below:

Risk	Description	Principal impact on assets and obligation reconciliations
MARKET VOLATILITY	The value of the defined benefit obligation is linked to AA-rated corporate bonds whilst the Scheme invests in a number of different asset classes (including those denominated in foreign currencies). These assets include equities, gilts, non-corporate credit and cash. This exposes the Group to risks including those relating to interest rates, equity markets, foreign exchange and climate change. As a result, any change in market conditions which impacts the value of the Scheme's assets or the interest rate on AA-rated corporate bonds will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and remeasurement of movements in other comprehensive income. There is the potential for a period of heightened market volatility due to the economic impact of the Russia-Ukraine conflict.	Return on plan assets Actuarial movements in financial assumptions
INFLATIONARY RISK	Due to the link between the scheme obligation and inflation, an increase in the expected future rate of inflation will lead to higher scheme liabilities, although this is mitigated by the Scheme holding inflation-linked assets which aim to match the increase in liabilities.	Actuarial movements in financial assumptions
ACCOUNTING ASSUMPTIONS	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions Actuarial movements in financial assumptions

32 RETIREMENT BENEFITS CONTINUED

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2020 of the UK scheme to 3 March 2022 for IAS 19 *Employee Benefits* purposes were:

	At 3 March 2022 %	At 25 February 2021 %
Pre-April 2006 rate of increase in pensions in payment	**3.40**	3.10
Post-April 2006 rate of increase in pensions in payment	**2.30**	2.20
Pension increases in deferment	**3.40**	3.10
Discount rate	**2.60**	1.90
Inflation assumption	**3.60**	3.20

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.0 years (2021: 20.5 years) if they are male and for a further 22.6 years (2021: 23.1 years) if they are female. For a member who retires in 2041 at age 65, the assumptions are that they will live on average for a further 21.1 years (2021: 21.5 years) after retirement if they are male and for a further 23.8 years (2021: 24.3 years) after retirement if they are female.

During the year, the Group has changed its methodology for determining the discount rate to include single-AA corporate bonds.

The amounts recognised in the consolidated income statement in respect of the defined benefit scheme are as follows:

	2021/22 £m	2020/21 £m
Net interest on net defined benefit surplus	**(3.6)**	(3.0)
Administrative expense	**2.6**	2.7
Past service cost (GMP equalisation reserve)	**–**	1.1
TOTAL (INCOME)/EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT (GROSS OF DEFERRED TAX)	**(1.0)**	0.8

Amounts recognised in operating costs for past service costs or curtailment are £nil (2021: £1.1m).

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2021/22 £m	2020/21 £m
Actuarial gains	**(218.8)**	(130.2)
Return on plan assets (greater)/lower than discount rate	**(100.0)**	146.5
REMEASUREMENT EFFECTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	**(318.8)**	16.3

The amounts recognised in the consolidated balance sheet are as follows:

	2022 £m	2021 £m
Present value of defined benefit obligation	**(2,521.2)**	(2,804.3)
Fair value of scheme assets	**3,043.8**	2,992.3
SURPLUS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET	**522.6**	188.0

Changes in the present value of the defined benefit obligation are as follows:

	2021/22 £m	2020/21 £m
Opening defined benefit obligation	**2,804.3**	2,992.7
Interest cost	**52.3**	48.7
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	**–**	1.1
Remeasurement due to:		
Changes in financial assumptions	**(266.0)**	30.5
Changes in demographic assumptions	**(33.9)**	(70.6)
Experience adjustments	**81.1**	(90.1)
Benefits paid	**(116.5)**	(107.9)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.1)
CLOSING DEFINED BENEFIT OBLIGATION	**2,521.2**	2,804.3

32 RETIREMENT BENEFITS CONTINUED

Changes in the fair value of the scheme assets are as follows:

	2021/22 £m	2020/21 £m
Opening fair value of scheme assets	**2,992.3**	3,183.0
Interest income on scheme assets	**55.9**	51.7
Return on plan assets greater/(lower) than discount rate[2]	**100.0**	(146.5)
Contributions from employer[1]	**2.6**	2.7
Additional contributions from Moorgate SLP[1]	**10.3**	10.2
Investment manager expenses paid by the employer[1]	**1.8**	1.8
Benefits paid	**(116.5)**	(107.9)
Administrative expenses	**(2.6)**	(2.7)
CLOSING FAIR VALUE OF SCHEME ASSETS	**3,043.8**	2,992.3

The major categories of plan assets are as follows:

	2022			2021		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**76.4**	**–**	**76.4**	75.5	–	75.5
Alternative assets	**143.0**	**–**	**143.0**	200.7	–	200.7
Bonds	**164.6**	**3.2**	**167.8**	196.5	5.1	201.6
Private markets	**–**	**460.7**	**460.7**	–	403.1	403.1
Liability driven Investments[3]	**2,160.8**	**–**	**2,160.8**	2,060.5	–	2,060.5
Cash and other[4]	**35.1**	**–**	**35.1**	50.9	–	50.9
	2,579.9	**463.9**	**3,043.8**	2,584.1	408.2	2,992.3

1 The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include contributions to cover administration expenses.

2 Includes cost of managing fund assets.

3 Liability driven investments includes UK fixed and index-linked gilts, repurchase agreements and reverse repurchase agreements, interest rate and inflation (RPI) swaps, gilt futures and cash.

4 Other primarily relates to assets held in respect of cash and net current assets.

The assumptions in relation to discount rate, mortality and inflation have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation to changes in these assumptions:

	Decrease/(increase) in liability	
	2022 £m	2021 £m
DISCOUNT RATE		
1.00% increase to discount rate	**359.0**	421.0
1.00% decrease to discount rate	**(458.0)**	(546.0)
INFLATION		
0.25% increase to inflation rate	**(73.0)**	(92.0)
0.25% decrease to inflation rate	**72.0**	90.0
LIFE EXPECTANCY		
Additional one-year increase to life expectancy	**(126.0)**	(130.0)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the consolidated balance sheet. The methods and types of assumptions did not change.

33 RELATED PARTY DISCLOSURE

The Group consists of a parent company, Whitbread PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 9 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 32.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

RELATED PARTY TRANSACTIONS	**2021/22 Joint ventures £m**	2020/21 Joint ventures £m
Sales to a related party	**0.1**	0.1

Joint ventures

For details of the Group's investments in and loans to joint ventures, see Note 16.

Compensation of key management personnel (including directors):

	2021/22 £m	2020/21 £m
Short-term employee benefits	**8.4**	6.2
Post-employment benefits	**–**	–
Share-based payments	**3.9**	5.1
	12.3	11.3

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No adjustment for expected credit loss relating to amounts owed by related parties has been made (2021: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in Note 7.

34 EVENTS AFTER THE BALANCE SHEET DATE

Property

On 7 March 2022, the Group entered into a forward funding transaction in relation to one property which was included within assets classified as held for sale at the year end, receiving gross proceeds of £46.4m.

35 BUSINESS COMBINATIONS

Acquisition in 2020/21 – Foremost Hospitality Hiex GmbH

On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8m. The acquisition consisted of 13 trading hotels which were rebranded to Premier Inn as well as the leasehold for a further six pipeline sites. The transaction formed part of the Group's strategic priority of international growth.

Trading hotel leases

In 2020/21, the Group recognised right-of-use assets and lease liabilities in relation to the 13 hotels which were rebranded.

Lease liabilities were recognised at the present value of future lease payments, using assumptions consistent with those of new leases. Right-of-use assets were valued at an amount equal to the lease liability as the lease arrangements were considered to be at market rates.

Pipeline hotel leases

Three of the pipeline sites were open and operated by a third party. The Group acquired the headlease for these sites and subleased them. The Group recognised investment property and lease liabilities in relation to these sites. During the year, the Group took over the operations of these sites and the investment property was transferred to right-of-use assets.

Contingent consideration

Contingent consideration was recognised at the date of acquisition and £62.6m were paid in instalments when the Group took control of the operations of the pipeline hotels.

Subsequent to the acquisition, an impairment of the goodwill arising on acquisition was recorded (see Note 15).

Asset acquisition in 2020/21 – 13 hotels from Centro Hotel Group

On 1 December 2020, the Group completed the acquisition of 13 hotels from the Centro Hotel Group. The transaction was accounted for as an asset acquisition under IFRS 3 *Business Combinations* as the fair value of the assets was concentrated in a single group of similar assets. The transaction consisted of six open hotels and seven pipeline hotels which were due to open between 2021 and 2023. On acquisition, the Group recognised right-of-use assets of £84.9m and lease liabilities of £77.2m in relation to the open hotels. The Group had also committed to lease commitments of £202.4m in relation to the pipeline hotels. Contingent consideration of £1.9m would become payable once handover of the pipeline sites is complete.

WHITBREAD PLC
COMPANY ACCOUNTS 2021/22

Contents

COMPANY BALANCE SHEET

Year ended 3 March 2022
Company number 04120344

	Notes	3 March 2022 £m	25 February 2021* £m
NON-CURRENT ASSETS			
Investment in subsidiaries	3	**2,439.3**	2,426.4
Other receivables	4	**1,201.3**	1,265.1
		3,640.6	3,691.5
CURRENT ASSETS			
Other receivables	4	**100.0**	–
		100.0	–
TOTAL ASSETS		**3,740.6**	3,691.5
CURRENT LIABILITIES			
Other payables	5	**(13.5)**	(11.5)
		(13.5)	(11.5)
TOTAL LIABILITIES		**(13.5)**	(11.5)
NET ASSETS		**3,727.1**	3,680.0
EQUITY			
Share capital	6	**164.8**	164.7
Share premium	7	**1,024.7**	1,022.9
Capital redemption reserve	7	**50.2**	50.2
Retained earnings	7	**3,004.5**	2,962.5
Treasury reserve	7	**(517.1)**	(520.3)
TOTAL EQUITY		**3,727.1**	3,680.0

* The format of the company balance sheet has been changed (see Note 1).

The profit and loss account of the parent company is omitted from the Company's accounts by virtue of the exemption granted by section 408 of the Companies Act 2006. The profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £32.3m (2020/21: £22.9m).

ALISON BRITTAIN CHIEF EXECUTIVE

HEMANT PATEL CHIEF FINANCIAL OFFICER

27 April 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 3 March 2022

	Share capital (Note 6) £m	Share premium (Note 7) £m	Capital redemption reserve (Note 7) £m	Retained earnings (Note 7) £m	Treasury reserve (Note 7) £m	Total £m
At 27 February 2020	112.9	90.8	50.2	2,932.3	(527.0)	2,659.2
Profit for the year	–	–	–	22.9	–	22.9
Total comprehensive income	–	–	–	22.9	–	22.9
Ordinary shares issued on exercise of employee share options	0.1	2.8	–	–	–	2.9
Ordinary shares issued on rights issue[1]	51.7	929.3	–	–	–	981.0
Loss on ESOT shares issued	–	–	–	(6.7)	6.7	–
Accrued share-based payments	–	–	–	14.0	–	14.0
AT 25 FEBRUARY 2021	**164.7**	**1,022.9**	**50.2**	**2,962.5**	**(520.3)**	**3,680.0**
Profit for the year	-	-	-	32.3	-	32.3
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**-**	**32.3**	**-**	**32.3**
Ordinary shares issued on exercise of employee share options	0.1	1.8	-	-	-	1.9
Loss on ESOT shares issued	-	-	-	(3.2)	3.2	-
Accrued share-based payments	-	-	-	12.9	-	12.9
AT 3 MARCH 2022	**164.8**	**1,024.7**	**50.2**	**3,004.5**	**(517.1)**	**3,727.1**

1 The share premium amount of £929.3m is net of £28.2m in relation to transaction costs associated with the rights issue.

Notes to the Company financial statements

At 3 March 2022

1 BASIS OF ACCOUNTING

The financial statements of Whitbread PLC for the year ended 3 March 2022 were authorised for issue by the Board of Directors on 27 April 2022. The financial year represents the 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company underwent transition from reporting under UK GAAP to FRS 101 *Reduced Disclosure Framework*. The financial statements are therefore prepared in accordance with FRS 101.

In the current period the format of the Company Balance Sheet has been changed to align with the presentation of the Consolidated Balance Sheet.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of non-current assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

Going concern

The directors have concluded that it is appropriate for the financial statements to be prepared on the going concern basis (see Note 2 to the consolidated financial statements).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments held as non-current assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the directors, there are no critical accounting judgements or key sources of estimation uncertainty in relation to the parent company financial statements.

3 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

INVESTMENTS AT COST	2022 £m	2021 £m
Opening investments	**2,426.4**	2,412.4
Contributions to subsidiaries in respect of share-based payments	**12.9**	14.0
CLOSING INVESTMENTS	**2,439.3**	2,426.4

Significant trading subsidiary undertakings	Principal activity	Country of incorporation	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels & Restaurants	England	England	100.0
Premier Inn Hotels Limited	Hotels	England	England	100.0

Whitbread Group PLC, in which the Company has an investment, holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by Whitbread Group PLC. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees. Further details can be found in Note 32 to the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 9.

4 OTHER RECEIVABLES

	2022 £m	2021 £m
Amounts due from subsidiary undertakings	**1,301.3**	1,265.1
	1,301.3	1,265.1
Analysed as:		
Current	**100.0**	–
Non-current	**1,201.3**	1,265.1
	1,301.3	1,265.1

5 OTHER PAYABLES

	2022 £m	2021 £m
Unclaimed dividends	**6.0**	6.1
Corporation tax payable	**7.5**	5.4
	13.5	11.5

6 SHARE CAPITAL

ORDINARY SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH (2021: 76.80P EACH)	million	£m
At 27 February 2020	147.0	112.9
Issued on exercise of employee share options	0.1	0.1
Issued in rights issue	67.3	51.7
AT 25 FEBRUARY 2021	**214.4**	**164.7**
Issued on exercise of employee share options	0.1	0.1
AT 3 MARCH 2022	**214.5**	**164.8**

Rights issue

In June 2020, the Company offered a fully underwritten rights issue to existing shareholders on the basis of one share for every two fully paid ordinary shares held. The Company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550p per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

Employee share options

During the year, options over 0.1m (2020/21: 0.1m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Company received proceeds of £1.9m (2020/21: £2.9m) on exercise of these options.

Preference share capital

	B shares		C shares	
ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2021: 1P EACH)	million	£m	million	£m
27 February 2020, 25 February 2021 and 3 March 2022	2.0	–	1.9	–

7 RESERVES

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings

Retained earnings are the net earnings not paid out as dividends, but retained to be reinvested.

Treasury reserve

This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
AT 27 FEBRUARY 2020	**12.5**	**514.5**	**1.0**	**12.5**
Exercised during the year	–	–	(0.6)	(6.7)
AT 25 FEBRUARY 2021	**12.5**	**514.5**	**0.4**	**5.8**
Exercised during the year	–	–	(0.2)	(3.2)
AT 3 MARCH 2022	**12.5**	**514.5**	**0.2**	**2.6**

Distributable reserves

As at 3 March 2022, Whitbread PLC had distributable reserves of £2,304.2m (2021: £2,271.9m).

8 CONTINGENT LIABILITIES

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the VAT liability. At the balance sheet date the Group VAT liability amounted to £7.3m (2021: £11.1m).

9 RELATED PARTIES

Details of related undertakings are shown below:

Active related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
AIRE HIEX Stuttgart Verwaltungs GmbH	Germany[8]	Ordinary EUR 50,000	–	100.0	100.0
Brickwoods Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Duttons Brewery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Elm Hotel Holdings Limited	England[1]	Ordinary £0.10	–	100.0	100.0
Farringdon Scottish Partnership	Scotland[2]	N/A	N/A	N/A	N/A
Healthy Retail Limited	England[18]	A ordinary £0.01	–	100.0	49.0
		B ordinary £0.01	–	–	–
		C ordinary £0.01	–	–	–
Milton (SC) 2 Limited	Scotland[2]	Ordinary £1.00	–	100.0	100.0
Milton (SC) Limited	Scotland[2]	Ordinary £1.00	–	100.0	100.0
Milton 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Moorgate Scottish Limited Partnership	Scotland[2]	N/A	N/A	N/A	N/A
PI Hotels and Restaurants Ireland Limited	Ireland[3]	Ordinary EUR 1.00	–	100.0	100.0
Premier Inn (Bath Street) Limited	Jersey[5]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Guernsey) Limited	Guernsey[16]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Isle of Man) Limited	Isle of Man[4]	Ordinary £1.00	–	100.0	100.0
Premier Inn (Jersey) Limited	Jersey[5]	Ordinary £1.00	–	100.0	100.0
Premier Inn (UK) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Essen City Hauptbahnhof GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Flensburg City GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt City Ostbahnhof GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Glasgow Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Holding GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hotel GmbH	Germany[8]	There are no classes of shares. The total nominal share capital amounts to EUR 300.000 and is divided into two shares, one in the nominal amount of EUR 275.000 and one in the nominal amount of EUR 25.000	–	100.0	100.0
Premier Inn Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Hotels LLC	United Arab Emirates[6]	Ordinary AED 1,000	–	49.0	49.0
Premier Inn Hotels Qatar	Qatar[7]	Ordinary QAR 100.00	–	24.0	24.0
Premier Inn International Development Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Airport Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Manchester Trafford Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Ochre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Rostock City Hafen GmbH (formerly UNA 344. Equity Management GmbH)	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Stuttgart Feuerbach GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Active related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Premier Inn Verwaltungsgesellschaft Süd GmbH (formerly: Acom Hotelbetriebs- und Verwaltungs GmbH)	Germany[8]	Ordinary EUR 50,000	–	100.0	100.0
Premier Inn Westminster Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Travel Inn India Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PT. Whitbread Indonesia	Indonesia[10]	Ordinary USD 1.00	–	100.0	100.0
PTI Middle East Limited	United Arab Emirates[11]	Ordinary AED 1,000	–	100.0	100.0
Silk Street Hotels Limited	England[1]	Deferred £1.00	–	100.0	99.1
		Ordinary USD 0.01	–	100.0	0.1
St Andrews Homes Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels Limited	England[1]	Ordinary £1.00	–	100.0	99.9
		Preference £5.00	–	100.0	0.1
T.F. Ashe & Nephew Limited	England[1]	Deferred £1.00	–	100.0	99.9
		Ordinary £0.01	–	100.0	0.1
UNA 312. Equity Management GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
UNA 352. Equity Management GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore[12]	Ordinary SGD 1.00	–	100.0	100.0
Whitbread East Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Group PLC	England[1]	Ordinary £0.25	100	–	50.0
		A ordinary £0.25	100	–	50.0
Whitbread Hotel Company Limited	England[1]	Ordinary £0.10	–	100.0	100.0
Whitbread International Sourcing Business Services (Shanghai) Co., Ltd	China[9]	Ordinary RMB 1.00	–	100.0	100.0
Whitbread Properties Limited	England[1]	5% non-cumulative preference £0.50	–	100.0	24.9
		7% non-cumulative preference £0.25	–	100.0	16.4
		Ordinary £0.175	–	100.0	58.7
Whitbread West Pennines Limited	England[1]	Ordinary £1.00	–	100.0	100.0
WHRI Development DMCC	United Arab Emirates[13]	Ordinary AED 1,000	–	100.0	100.0
WHRI Holding Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0

Dormant related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Advisebegin Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Alastair Campbell & Company Limited	Scotland[15]	Ordinary £1.00	–	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland[15]	Ordinary £1.00	–	100.0	100.0
Autumn Days Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Belgrave Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Belstead Brook Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Brewers Fayre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Britannia Inns Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Broughton Park Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Carpenters of Widnes Limited	England[1]	Ordinary £0.01	–	100.0	100.0
		Deferred ordinary £1.00	–	100.0	100.0
Cherwell Inns Limited	England[1]	A ordinary non-voting £1.00	–	100.0	66.7
		Ordinary £1.00	–	100.0	33.3
Chiswell Overseas Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Chiswell Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Churchgate Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Country Club Hotels Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Cromwell Hotel (Stevenage)	England[1]	Ordinary £1.00	–	100.0	100.0
Cymric Hotel Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Danesk Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
David Williams (Builth) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dealend Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delamont Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Delaunay Freres Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dome Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dragon Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Dukes Head 1988 Limited	England[1]	B ordinary £1.00	–	100.0	100.0
		W ordinary £1.00	–	100.0	100.0
E. Lacon & Co., Limited	England[1]	Ordinary £1.00	–	100.0	100.0
E.B. Holdings Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Evan Evans Bevan Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Finite Hotel Systems Limited	England[1]	A ordinary £1.00	–	100.0	50.0
		B ordinary £1.00	–	100.0	50.0
Fleet Wines & Spirits Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Forest of Arden Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gable Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Castle)	England[1]	A ordinary £1.00	–	100.0	51.0
		Ordinary £1.00	–	100.0	49.0
Goodhews (Holdings) Limited	England[1]	A ordinary £1.00	–	100.0	42.2
		B ordinary £1.00	–	100.0	42.2
		C ordinary £1.00	–	100.0	15.6
Goodhews (Inns)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews (Restaurants)	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews B. & S. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Enterprises	England[1]	Ordinary £1.00	–	100.0	100.0
Goodhews Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Gough Brothers Limited	England[1]	Deferred ordinary £.0.20	–	100.0	97.6
		Ordinary £0.20	–	100.0	2.4
Grosvenor Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hammock Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Hart & Co., (Boats) Limited	England[1]	1% non-cumulative preference £1.00	–	100.0	99.0
		Ordinary £1.00	–	100.0	1.0
		1% non-cumulative preference £0.01	–	100.0	–
Harveys Leisure Promotions Limited	England[1]	A ordinary £1.00	–	100.0	70.0
		B ordinary £1.00	–	100.0	30.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Hunter & Oliver Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J. Burton (Warwick) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
J. J. Norman and Ellery Limited	England[1]	Ordinary £1.00	–	100.0	100.0
James Bell and Company Limited	England[1]	Deferred ordinary £0.25	–	100.0	96.2
		Ordinary £0.01	–	100.0	3.8
Jestbread Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Kingsmills Hotel Company Limited	Scotland[17]	Ordinary £1.00	–	100.0	100.0
Lambtons Ale Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Latewise Limited	England[1]	Ordinary £1.00	–	53.4	53.4
Lawnpark Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Leisure and Retail Resources Limited	England[1]	Ordinary £1.00	–	99.6	99.6
Lloyds Avenue Catering Limited	England[1]	3% non-cumulative preference £1.00	–	100.0	50.0
		Ordinary £1.00	–	100.0	50.0
London International Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Lorimer & Clark, Limited	Scotland[15]	Ordinary £1.00	–	100.0	100.0
Mackeson & Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Mackies Wine Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Maredrove Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marine Hotel Porthcawl Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Marlow Catering Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Meon Valley Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Milton 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morans of Bristol Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Morris's Wine Stores Limited	England[1]	Ordinary £1.00	–	100.0	5.4
		5.6% non-cumulative preference £1.00	–	100.0	94.6
New Clapton Stadium Company Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Norseman Lager Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pacific Caledonian Properties Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
Percheron Properties Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Peter Dominic Limited	England[1]	Ordinary £1.00	–	100.0	100.0
PI Hotels York Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Piquant Caterers Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Pizzaland Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Kier Limited	England[1]	A ordinary £1.00	–	–	–
		B ordinary £1.00	–	100.0	50.0
Premier Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn Troon Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Priory Leisure Limited	England[1]	Ordinary £1.00	–	100.0	100.0
R.C. Gough and Co. Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Northern) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Raybain (Wine Bars) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Respotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Rhymney Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0
S & S Property Limited	England[1]	Ordinary £1.00	–	100.0	100.0
S.H. Ward & Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Salford Automatics Limited	England[1]	Ordinary £1.00	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Scorechance 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 12 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 17 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 25 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Scorechance 8 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sheffield Automatics Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Shewell Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Silk Street Hotel Liverpool Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Small & Co. (Engineering) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Small & Co. Limited	England[1]	7% cumulative preference £1.00	–	100.0	0.7
		Ordinary £1.00	–	100.0	99.3
Spring Soft Drinks Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sprowston Manor Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 1 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Square October 3 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Andrews Homes (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
St Martins Care Homes Investments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Stripe Travel Inn Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Strong and Co. of Romsey Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Summerfields Care Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sun Taverns Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Sweetings (Chop House) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift (Lurchrise) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Hotels (Management) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Inns and Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swift Quest Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Swingbridge Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England[1]	7% cumulative preference £1.00	–	100.0	90.9
		Ordinary £1.00	–	100.0	9.1
The Dominic Group Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Investments Limited	England[1]	8% cumulative preference A £1.00	–	100.0	33.0
		8% cumulative preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Oyster Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
The Portsmouth and Brighton United Breweries, Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Thomas Wethered & Sons Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Threlfalls (Liverpool & Birkenhead) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Threlfalls (Salford) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Trentrise Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Uncle Sam's Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Virlat Limited	England[1]	Ordinary £1.00	–	100.0	100.0
W. M. Darley, Limited	England[1]	Ordinary £1.00	–	100.0	49.8
		Preference £1.00	–	100.0	49.8
		Preferred ordinary £0.01	–	100.0	0.4
W. R. Wines Limited	England[1]	Deferred £1.00	–	100.0	99.0
		Ordinary £0.01	–	100.0	1.0
West Country Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wentworth Guarantee Company Limited	England[1]	N/A	N/A	N/A	N/A
Wheeler Gate Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread (Condor) Holdings Limited	England[1]	Ordinary £0.0001	–	100.0	100.0
Whitbread (G.C.) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Company Two Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Developments Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Devon Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Directors 1 Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Whitbread Directors 2 Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Dunstable Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Enterprise Centre Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Finance PLC	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Fremlins Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Golf and Country Club Limited	England[1]	5% non-cumulative preference £1.00	–	100.0	45.0
		A ordinary £1.00	–	100.0	55.0
Whitbread Golf Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Guarantee Company Two Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Healthcare Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Hotel (Bournemouth) Limited	England[1]	Ordinary £0.05	–	100.0	100.0
Whitbread Hotels (Management) Limited	England[1]	Deferred £1.00	–	100.0	100.0
		USD 0.01	–	100.0	–
Whitbread International Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread International Trading Limited	England[1]	Ordinary £0.25	–	100.0	100.0
Whitbread Investment Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Investment Company Securities Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread London Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Nominees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Pension Trustees	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub and Bars Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Partnership Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Restaurants Business Limited	England[1]	Ordinary £1.00	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Whitbread Quest Trustee Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Restaurants (Australia) Limited	England[1]	Ordinary £1.00	–	100.0	–
		Ordinary £0.56	–	100.0	100.0
Whitbread Restaurants Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Scotland Limited	Scotland[14]	Ordinary £1.00	–	100.0	100.0
Whitbread Secretaries Limited	England[1]	Ordinary £0.05	–	100.0	50.0
		4% preference £0.05	–	100.0	50.0
Whitbread Share Ownership Trustees Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland (1995) Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland 2 Limited	England[1]	Ordinary £1.00	–	100.0	57.0
		5.6% non-cumulative preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England[1]	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England[1]	A ordinary £1.00	–	100.0	50.0
		B ordinary £1.00	–	100.0	50.0
Whitbread UK Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wales Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Wessex Limited	England[1]	Ordinary £1.00	–	100.0	100.0
White Cross Films Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wiggin Tree Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Willhouse Limited	England[1]	Deferred £1.00	–	100.0	50.0
		Q ordinary £1.00	–	100.0	25.0
		W ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England[1]	Ordinary £1.00	–	100.0	100.0

The registered office of the above companies is as follows:

1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE
2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man
5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey
6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates
7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar
8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany
9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China
10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore
13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland
15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
16 11 New St, Guernsey GY1 3EG, Guernsey
17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EN12 8NF, Scotland
18 100 Moorgate, London, England, EC2M 6AB

Glossary

ADJUSTED PROPERTY RENT

Total property rent less a proportion of contingent rent.

BASIC EARNINGS PER SHARE (BASIC EPS)

Profit attributable to the parent shareholders divided by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).

COMMITTED PIPELINE

Sites where the Group has a legal interest in a property (that may be subject to planning/other conditions) with the intention of opening a hotel in the future.

DIRECT BOOKINGS/DISTRIBUTION

Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

FOOD AND BEVERAGE (F&B) SALES

Food and beverage revenue from all Whitbread owned restaurants and integrated hotel restaurants.

GOSH CHARITY

Great Ormond Street Hospital Children's Charity.

IFRS

International Financial Reporting Standards.

LEASE DEBT

Eight times adjusted property rent.

OCCUPANCY

Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

OPERATING PROFIT

Profit before net finance costs and tax.

OTAS

Online travel agents.

PROPERTY RENT

IFRS 16 property lease liability payments plus variable lease payments adjusted for deferred rental amounts. This is used as a proxy for rent expense as recorded under IAS 17 in arriving at funds from operations.

RENT EXPENSE

Rental costs recognised in the income statement prior to the adoption of IFRS 16.

TEAM RETENTION

The number of permanent new starters that we retain for the first 90 days/three months.

WINCARD

Whitbread In Numbers – balanced scorecard to measure progress against key performance targets.

YOURSAY

Whitbread's annual employee opinion survey to provide insight into the views of employees.

Alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
REVENUE MEASURES			
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. *Reconciliation: Note 3*
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude the TSA income. *Reconciliation: Consolidated income statement*
Average room rate (ARR)	No direct equivalent	Refer to definition	Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.

RECONCILIATION	**2021/22**	2020/21
UK Accommodation sales (£m)	**1,157.8**	388.5
Number of rooms occupied by guests ('000)	**20,430**	8,415
UK AVERAGE ROOM RATE (£)	**56.67**	**46.16**
Germany Accommodation sales (£m)	**29.1**	10.2
Number of rooms occupied by guests ('000)	**718**	255
GERMANY AVERAGE ROOM RATE (£)	**40.53**	**40.17**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
UK like-for-like revenue growth	Movement in accommodation sales per the segment information (Note 3)	Accommodation sales from non like-for-like	Year over year change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.

RECONCILIATION	**2021/22**	2020/21
UK like-for-like revenue growth	**189.8%**	(70.9%)
Contribution from net new hotels	**8.2%**	0.5%
UK ACCOMMODATION SALES GROWTH	**198.0%**	**(70.4%)**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Two year UK like-for-like revenue growth	Movement in accommodation sales per segment information (Note 3)	Accommodation sales from non like-for-like	Change in revenue for outlets open for at least two years. This is a temporary measure introduced to provide a comparison between the current year and the comparative period before the impact of the COVID-19 pandemic.

RECONCILIATION	**2021/22**
UK like-for-like revenue growth	**(15.5%)**
Contribution from net new hotels	**3.8%**
UK ACCOMMODATION SALES GROWTH	**(11.7%)**

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Revenue per available room (RevPAR)	No direct equivalent	Refer to definition	Revenue per available room is also known as 'yield'. This hotel measure is achieved by dividing accommodation sales by the number of rooms available. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.

RECONCILIATION	2021/22	2020/21
UK Accommodation sales (£m)	**1,157.8**	388.5
Available rooms ('000)	**29,928**	28,620
UK REVPAR (£)	**38.69**	**13.57**
Germany Accommodation sales (£m)	**29.1**	10.2
Available rooms ('000)	**1,765**	1,135
GERMANY REVPAR (£)	**16.49**	**9.02**

INCOME STATEMENT MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted* operating profit/(loss)	Profit/loss before tax	Adjusting items (Note 6), finance income/costs (Note 8)	Profit/loss before tax, finance costs/income and adjusting items *Reconciliation: Consolidated income statement*
Adjusted* tax	Tax charge/credit	Adjusting items (Note 6)	Tax charge/credit before adjusting items. *Reconciliation: Consolidated income statement*
Adjusted* profit/(loss) before tax	Profit/loss before tax	Adjusting items (Note 6)	Profit/loss before tax and adjusting items. *Reconciliation: Consolidated income statement*
Adjusted* basic EPS	Basic EPS	Adjusting items (Note 6)	Adjusted profit/loss attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT). *Reconciliation: Note 11*

BALANCE SHEET MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. *Reconciliation: Note 21*
Adjusted net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	Net cash/debt adjusted for cash, assumed by ratings agencies to not be readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.

RECONCILIATION	2021/22 £m	2020/21 £m
Net (cash)/debt	**(140.5)**	46.5
Restricted cash adjustment	**10.0**	10.0
ADJUSTED NET (CASH)/DEBT	**(130.5)**	**56.5**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
BALANCE SHEET MEASURES			
Lease adjusted net debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	Adjusted net debt plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.

RECONCILIATION	2021/22 £m	2020/21 £m
Adjusted net (cash)/debt	**(130.5)**	56.5
Lease debt	**1,884.7**	1,771.0
LEASE ADJUSTED NET DEBT	**1,754.2**	**1,827.5**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Net cash/debt and lease liabilities	Cash and cash equivalents less total liabilities from financing activities	Refer to definition	Net debt/cash plus lease liabilities. The directors consider this to be a useful measure of the financing position of the Group.

RECONCILIATION	2021/22 £m	2020/21 £m
Net (cash)/debt	**(140.5)**	46.5
Lease liabilities	**3,701.8**	3,231.6
NET (CASH)/DEBT AND LEASE LIABILITIES	**3,561.3**	**3,278.1**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
CASH FLOW MEASURES			
Funds from operations (FFO)	Net cash flows from operating activities	Refer to definition	Net cash flows from operating activities after deducting payment of principal of lease liabilities and adding back changes in working capital, adjusted property rent and cash interest. A comparative is not disclosed as while the Group's covenant waivers were in place, FFO was not considered to be a key alternative performance measure.

RECONCILIATION	2021/22 £m
Net cash flow from operations	**508.7**
Payment of principal of lease liabilities	**(127.1)**
Working capital movements	**(182.5)**
Cash interest	**18.0**
Adjusted property rent	**235.6**
FUNDS FROM OPERATIONS	**452.7**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Lease adjusted net debt to FFO	No direct equivalent	Refer to definition	Ratio of lease-adjusted net debt compared to FFO. A comparative is not disclosed as while the Group's covenant waivers were in place, lease adjusted net debt to FFO was not considered to be a key alternative performance measure.

RECONCILIATION	2021/22 £m
Lease adjusted net debt	**1,754.2**
Funds from operations	**452.7**
LEASE ADJUSTED NET DEBT TO FFO	**3.9x**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Operating cash flow	Cash generated from operations	Refer to definition	Adjusted operating profit/(loss) adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth and shareholder returns and before tax, pension and interest payments.

RECONCILIATION	2021/22 £m	2020/21 £m
Adjusted operating profit/(loss)	**153.3**	(486.7)
Depreciation – right-of-use assets	**148.1**	126.3
Depreciation – property, plant and equipment	**157.9**	150.3
Amortisation	**20.9**	23.6
ADJUSTED EBITDA (POST-IFRS 16)	**480.2**	(186.5)
Interest paid – lease liabilities	**(133.2)**	(123.2)
Payment of principal of lease liabilities	**(127.1)**	(71.7)
Lease incentives received/(paid)	**2.0**	(7.3)
Movement in working capital	**182.5**	(99.8)
OPERATING CASH FLOW	**404.4**	**(488.5)**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and capital contributions to joint ventures.
OTHER MEASURES			
Adjusted* EBITDA (post-IFRS 16), Adjusted* EBITDA (pre-IFRS 16) and Adjusted* EBITDAR	Operating profit/ loss	Refer to definition	Adjusted EBITDA (post-IFRS 16) is profit before tax, adjusting items, interest, depreciation and amortisation. Adjusted EBITDA (pre-IFRS 16) is further adjusted to remove rent expense. Adjusted EBITDAR is profit before tax, adjusting items, interest, depreciation, amortisation, variable lease payments and rental income. The directors consider this measure to be useful as it is a commonly used industry metric which facilitate comparison between companies. The Group's RCF covenants include measures based on Adjusted EBITDA (pre-IFRS 16).

RECONCILIATION	2021/22 £m	2020/21 £m
Adjusted operating profit/(loss)	**153.3**	(486.7)
Depreciation – right-of-use assets	**148.1**	126.3
Depreciation – property, plant and equipment	**157.9**	150.3
Amortisation	**20.9**	23.6
ADJUSTED EBITDA (POST-IFRS 16)	**480.2**	(186.5)
Variable lease payment expense/(credit)	**0.3**	(0.6)
Rental income	**(7.9)**	(7.8)
ADJUSTED EBITDAR	**472.6**	(194.9)
Rental expense, variable lease payments and rental income	**(230.7)**	(216.5)
ADJUSTED EBITDA (PRE-IFRS 16)	**241.9**	**(411.4)**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Return on Capital Employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating profit (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt, right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. *Return on capital is not disclosed and a reconciliation is therefore not included.*

* Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the Group's business either from one period to another or with similar businesses. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Shareholder services

USEFUL CONTACTS

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

The website address is www.linkgroup.eu

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@linkgroup.co.uk

Registered office
Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

General Counsel and Company Secretary
Chris Vaughan

Managing your shareholdings
You can manage your shareholdings by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Link Share Dealing Service;
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your Investor Code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Link promptly of any change of address.

Share dealing service[1]
For Link Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

Private shareholder
Private shareholders are shareholders who hold their shares in their own name on the Company's Register of Members. They have full voting rights and have the right to stipulate their communication preferences and bank account preferences on their own holding.

Nominee shareholder
Nominee shareholders are underlying beneficial shareholders who hold their shares through a nominee company. The name of the nominee company will appear on the Company's Register of Members. It will depend on the terms and conditions of the nominee provider as to whether underlying shareholders receive copies of the AGM documents and any other Company documents that are mailed. Dividend options may also be restricted by the nominee. If underlying shareholders wish to receive Company mailings then they have the right to request to be put on the beneficial holders' information rights register, which can be arranged via their nominee provider.

Corporate Sponsored Nominee
We worked with Link to establish the Whitbread Corporate Sponsored Nominee (CSN). We did this because we know that a number of shareholders prefer not to hold their shares in certificated form, but still wish to receive documents and benefits from the Company. This has been raised by shareholders at previous AGMs. The new CSN allows shareholders to hold their Whitbread shares via a nominee, but also allows Whitbread to have direct access to the underlying register, such that we can ensure that participants receive the documents and benefits that they request.

If you would like to hold your shares in the new Whitbread CSN, please log on to www.whitbread-shares.com. If you have not registered before then you will need your Investor Code. Your Investor Code is located on your share certificate.

On the portal you will find further information in relation to the Whitbread CSN. The terms and conditions and various transfer forms that you will need to review and complete are located there. If you need any assistance with the forms or want any additional support, please e-mail custodymgt@linkgroup.co.uk outlining what you would like to do and they will email you back with the relevant instructions.

Annual general meeting 2022
The AGM will take place at 2pm on Wednesday 15 June 2022 at Whitbread Court, Porz Avenue, Dunstable LU5 5XE.

We want to give as many of our shareholders the opportunity to attend the meeting as possible and we therefore intend to continue to offer the opportunity to attend electronically so that there is a choice as to how to attend.

1 These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Analysis of ordinary shares at 3 March 2022

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	19,834	54.77	684,966	0.32
101-200	5,539	15.30	807,309	0.38
201-500	5,709	15.76	1,845,005	0.86
501-1,000	2,533	6.95	1,779,794	0.83
1,001-2,000	1,189	3.28	1,635,124	0.76
2,001-5,000	582	1.61	1,806,799	0.84
5,001-10,000	184	0.51	1,282,880	0.60
10,001-50,000	314	0.87	6,977,269	3.25
50,001-100,000	103	0.28	7,405,157	3.45
100,001-500,000	152	0.42	35,623,295	16.61
500,001-1,000,000	34	0.09	25,534,781	11.91
1,000,001-5,000,000	36	0.10	71,070,627	33.14
5,000,001-10,000,000	3	0.01	19,816,368	9.24
10,000,001-50,000,000	3	0.01	38,200,568	17.81
Total	**36,215**		**214,469,942**	

Capital gains tax
For further information on:

- the market value of shares in the Company as at 31 March 1982;
- the reduction of capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

or if you require any further information on capital gains tax allocations, please refer to the investors' section of the Company's website: www.whitbread.co.uk

Dividend payments by BACS
We can pay your dividends directly to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method please ring the registrars on +44 (0)344 855 2327.

Shareholder FAQs

Where can I find information about B and C shares?
As outlined in the original circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares, but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share price?
You can keep up to date with the current share price at the Company's website: www.whitbread.co.uk.

I have lost my share certificate, how can I get a replacement?
If you have lost your certificate please contact the Company's registrars, Link Group, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Am I entitled to shareholder benefits?
Shareholders with a holding of 64 shares or more are eligible to receive a shareholder benefits card. Those shareholders who have previously registered to receive the shareholder benefits card should automatically have received the card with the Annual Report and Accounts mailing. Shareholders who wish to register for a card can do so by contacting Link, whose contact details are shown on page 211.

Unsolicited mail
We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service; you can register online: www.mpsonline.org.uk

Shareholder warning
Share and bond scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares or bonds. Boiler rooms use increasingly sophisticated tactics to approach investors, offering to buy or sell shares in a way that will bring a huge return. But victims are often left out of pocket – sometimes losing all of their savings or even their family home.
Even seasoned investors have been caught out, with the biggest individual loss recorded by the police being £6m. Shareholders are advised to be wary of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/scams;
- if the calls persist, hang up; and
- REMEMBER if it sounds too good to be true, it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong.

The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud 0300 123 2040 (www.actionfraud.police.uk).

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FCA website, www.fca.org.uk/consumers.

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