

Marston's Corporate Holdings Limited

Section 172(1) statement

This section describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

Directors are required to have regard (amongst other matters) to the interests of wider stakeholders, as well as:

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

The Company is a subsidiary of Marston's PLC and, therefore, key decisions which affect the Group, this Company and stakeholders are principally made by the Board of the ultimate parent undertaking and controlling party, Marston's PLC. Further details of how the Board of Marston's PLC have had regard to sections 172(1)(a) to (f) of the Companies Act 2006 in the current reporting period can be found in the Annual Report and Accounts of Marston's PLC, key elements of which include:

Our people

We are a business where working together, caring about each other, recognising a job well done and striving to be the best is what defines us. We aim to inform, inspire, engage and enable our people, using a variety of communication channels. The Group is committed to keeping employees informed of business performance and strategy. We do this in a variety of ways from presentations of the interim and annual results by senior management, to video and email messages from the Group CEO. Employees' views are sought through regular engagement surveys across the Group and action plans are put in place to respond to issues arising.

Our guests

Guest satisfaction is key to our success; by listening to their feedback and engaging with them we aim to deliver a consistently great experience. We adapt our pubs, brands and offerings to satisfy changing tastes, lifestyles and curiosity. Now, more than ever, we want to ensure that our pubs are a welcoming and safe environment for our guests, whether the purpose be to drink, eat or stay.

Our partners

Our pub partners are a key part of the Group's business and the character of our pub estate. We recognise the contribution that a committed partner brings, with the determination to make their pub a success. They are free to innovate and reflect their own character within the ambience and offer that they create. We work with our partners to find the right agreement for their business and try to support them through difficult periods such as the challenges presented by the global pandemic.

Our communities

Our pubs are more than just a physical presence in the communities where they are located; they are part of each community and are valued as a place where people within that community can come together. These strong relationships are essential for the long-term success of our pubs and form part of the heritage and character of Marston's. We encourage our operators to participate in community initiatives and involve ourselves in community events, supporting people experiencing hardship.

Suppliers

We partner with suppliers who share our values and these relationships are integral to our success. We foster long-term relationships and manage them in a responsible and mutually beneficial way. During the global pandemic in 2020, the strength of these relationships was demonstrated by our mutual support during lockdown, followed by the commitment shown to us in supporting the re-opening of our pubs.

Environment

We seek to innovate through our environmental projects in order to accelerate the reduction of our environmental impact. Our estates team have gained industry recognition for their pioneering work to reduce emissions at our pubs, reduce water consumption and increase recycling. We remain responsive to emerging technology to prevent further environmental harm, often at attractive rates of return, and to partnerships which promote and support a better environment and better lives.

Investors

We want to attract long-term equity and debt investors who believe in and support our strategy. This enables us to remain focused on delivering sustainable growth and maximising return on capital invested, for the benefit of all our stakeholders. The Group engages through the annual general meeting and other investor relations activities, including meetings and communications that provide updates on progress against strategy, clarification and understanding of the business and an opportunity to listen to feedback. The Group CEO and

CFO host meetings with our major shareholders and private client fund managers to present the half year and year-end results. During this reporting period, investor focus has been on liquidity and financial viability and the Group CEO and CFO have worked hard to reassure investors by setting out the impact of the COVID-19 restrictions and enforced pub closures, the financing position and government regulations.

Government

Government policy decisions impact the Group and, directly and indirectly, all of our stakeholders. The Group Risk & Compliance Committee monitor emerging legislation to assess its relevant impact and what preparations are needed to ensure compliance. As a responsible business, we engage with UK Government Public Health on health initiatives and support government initiatives such as Drinkaware. As a member of the BBPA, we participate in consultations and have actively engaged with them throughout the pandemic to help them understand the impact of the restrictions imposed on the hospitality sector, the safety in a regulated setting and the lack of clear evidence tying pubs to the increases in infection levels. Government support during the pandemic was welcomed and we have continued to collect and pay a wide range of taxes during the reporting period.

The Board of Marston's PLC believe that the following matters were of strategic importance during the period:

- Impact of and response to COVID-19 – during the global pandemic the Board have focused on ensuring the safety of our people, on the business remaining financially viable and, on re-opening of our pubs, the safety and enjoyment of our guests. The Board received regular updates on how the Group supported its people and partners and engaged with guests and key suppliers during the first period of lockdown. Recognising the major challenges facing many of our stakeholders, all Board members volunteered significant pay cuts during this period. The Board decisions to strengthen the Group balance sheet (with the reassurance of additional financing if needed) and to suspend the dividend for the 2019/20 period, are considered to be in the best interests of promoting the success of the business over the long term, for the benefit of members as a whole. Continued and varying restrictions across the UK have required the Board to regularly assess the implications for the business and consider all interested parties, most notably the impact for our people and the inevitable risk of job losses. These decisions were not taken lightly, and the Board have considered the interests of all relevant stakeholders in making the decisions that they believe are for the benefit of its members as a whole.
- Joint venture with Carlsberg UK Limited – in May 2020, following several months of considerations that covered a number of factors and conflicting interests when assessing the transaction as most likely to promote the success of the Group, the Board approved the proposals. Details of the transaction are described in the Annual Report and Accounts of Marston's PLC and within the circular sent to shareholders (available at www.marstons.co.uk).

In reaching the decision to recommend the proposal to shareholders, the Board discussed the relevant implications with senior managers from within the business and took advice on the terms of the transaction from advisers. The Board considered:

- the long-term consequences of the proposal and the benefits to members as a whole in separating the beer and pub businesses,
- the risks in becoming a pure pub-focused operator,
- the financial benefits of reducing debt and its alignment to strategy,
- the impact on our people – both those transferring and those remaining – and the importance of clear and timely information,
- the benefits to both guests and partners of an enlarged beer business and stronger brand portfolio, and
- their duties as directors to act with integrity and uphold high standards of conduct.

The Directors of the Company separately considered the transaction, and the requirement to authorise its wholly owned subsidiary, Marston's Trading Limited, to transfer its brewing operations into a wholly-owned subsidiary and subsequent sale to Carlsberg Marston's Brewing Company Limited, in exchange for an initial cash receipt of £232.7m and a 40% shareholding in Carlsberg Marston's Brewing Company Limited, together with the associated risks and benefits to the Company. The Directors concluded that the transaction was most likely to promote the success of the Company for the benefit of its members as a whole.