



Pubs Code Compliance Report

1st April 2019 to 31st March 2020

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Pubs Code: Regulation 43 compliance report framework for pub-owning businesses

March 2020

Notes on Submission and Publication

As per Regulation 43(2) of the Pubs Code, pub-owning businesses should submit their full compliance report to the Office of the Pubs Code Adjudicator no later than 31st July 2020.

Sections 1, 3, 7 and 8 are Statutory Requirements.

In addition to the minimum statutory publication requirements in Regulations 43(8) and (9) of the Pubs Code, pub-owning businesses should publish the full compliance report on their company website no later than 30th September 2020.

POBs should confirm in relation to which undertakings the report is submitted and where necessary the steps taken to ensure compliance within those undertakings

References throughout to 'Regulations' are to the Pubs Code etc Regulations 2016

References throughout to 'SBEEA' are to the Small Business, Enterprise and Employment Act 2015

Pub-owning businesses are reminded that compliance remains the duty of the POB at all times and that they should therefore be transparent in their dealings and where inconsistencies arise explain in full. Silence on the part of the PCA in response to submission of the Compliance Report should not be understood to be an endorsement of the POB's approach to compliance.

Section 1: Audit Committee Statement on Compliance

A declaration that the statutory requirements in Regulations 43(5), (7), (8) & (9) have been complied with.

This report has been subject to approval by our internal audit function, following the policy of our historic plc audit committee.

Regulation 43(5) - It is confirmed that the Chief Executive Officer has approved a copy of this report.

Regulation 43(7) – Reports have been made available to the Chief Executive Officer to ensure they have an understanding of the pub-owning business's compliance with these Regulations.

Regulation 43(8) – Not applicable as we do not produce an Annual Report

Regulation 43(9) – It is confirmed that a copy of the report will be published on the Ei Group website

Section 2: Tied Estate Summary

As of 31 March 2019, total number of Pubs Code	3,494
Total acquisitions since 31 March 2019	0
Additional tied pubs (that were already owned) since 31 March 2019	29
Total disposals since 31 March 2019 This has been calculated as a full year reconciliation and therefore will not match the quarterly reporting.	77
<ul style="list-style-type: none"> Of which were to another Pub Owning- Business (POB) 	0
<ul style="list-style-type: none"> Of which were sold to a person who is not a landlord of 500 or more tied pubs 	61
<ul style="list-style-type: none"> Of which were permanently closed or directly disposed for other use [e.g. residential; other commercial] <p>This number includes pubs that were closed pending disposal where the expected final use is to remain as a pub.</p> <p>None of the pubs were sold subject to planning for non-pub use.</p> <p>Every disposal is made without restriction of covenant as to its future use.</p>	16
<ul style="list-style-type: none"> Pubs no longer tied (but still owned) since 31 March 2019 	140
<ul style="list-style-type: none"> Tied pubs taken into management within the Pub-Owning Business 	95
<p><i>Narrative report confirming that:</i></p> <ul style="list-style-type: none"> <i>(Where applicable) the POB (and relevant undertakings) has properly informed the PCA and its tenants of any change during the reporting period to its status as a landlord of 500 or more tied pubs as required by Regulation 45</i> <p>Not applicable</p> <ul style="list-style-type: none"> <i>The POB has in each case met its obligations under Regulation 49 and taken steps to inform the tenant of plans to sell the pub and extended protection provision if relevant</i> <p>Unless the sale was confidential, we have informed our tied tenants of our disposal activity in accordance with the requirements of Regulation 49.</p> <ul style="list-style-type: none"> <i>For each transfer, informed the PCA of:</i> <ul style="list-style-type: none"> <i>The identity of the new landlord</i> <i>The end date of the tenancy under which the tied pub is currently occupied</i> <i>The date of the conclusion of the last rent assessment for the tied pub</i> 	

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The date of the next scheduled rent review for the tied pub under the current tenancy agreement¹

Not applicable

<i>As of 31 March 2020, total number of Pubs Code Agreements</i>	3,211
<i>Of total Pubs Code Agreements, how many are,</i>	
• Agreements contracted into the Landlord and Tenant Act 1954	1,419
• Agreements not contracted into the Landlord and Tenant Act 1954	1,792
• Short Agreements under Regulation 14 The 271 short agreements are also included in the 'Agreements not contracted into the Landlord and Tenant Act 1954' figure above	271
• Tenancy at Wills (TAW's) in occupation for a period of 12 months or more The 80 Tenancy at Wills over 12 months in occupation are also included in the 'Agreements not contracted into the Landlord and Tenant Act 1954' figure above	80
• Pub Franchise Agreements under Regulation 55	0
• The subject of a qualifying Investment under Regulation 56 The 10 qualifying investments are also included in the 'Agreements contracted into the Landlord and Tenant Act 1954' figure above	10

Types of Agreements

Narrative report listing all the different categories of agreements (current and historic) within the POB's tied estate, a schedule of their main characteristics (e.g. lease or tenancy; duration; repairing obligations), whether these agreements sit inside or outside of the Pubs Code and how many tenants fall within each type of agreement. ²

We have an array of lease and tenancy agreements, including legacy agreements and the suite of agreements we currently offer to existing and new tenants. The characteristics of our agreements can be summarised by term, extent of tie, rent review provisions, repairing and insuring obligations and landlord and tenant act protection. Below we provide a breakdown of the main characteristics of our agreements split into tied leases, tied tenancies, free of tie

¹ This information is required to enable the PCA to track when extended protection will end.

² This information is required to give the PCA a detailed picture of the size and shape of the regulated tied sector. It is being requested as part of the compliance reporting framework to consolidate and reduce the administrative requirements placed on POBs.

leases and tenancy at will agreements.

Tied leases – 1,508 agreements sit inside the Pubs Code

- **Term** the original lease term will usually be between five and 30 years
- **Extent of tie** will vary from those leases tied for beer products only through to those which have a full tie for all beer, cider, flavoured alcoholic beverages (FABs), wines spirits and minerals products. Our tied leases include a great deal of variation on extent of tie
- **Rent reviews** will usually be on a three or five year cycle. At review the rent can be reviewed both upwards and downwards. Some types of tied lease agreements will also have annual indexation included
- **Repairing and insuring obligations** are substantially fully repairing and insuring (FRI) where the tenant is responsible for all repairs and insuring
- **Landlord and Tenant Act protection** usually contracted into the Landlord and Tenant Act, giving the tenant automatic renewal rights when their lease expires

Tied tenancies – 1,352 agreements sit inside the Pubs Code

- **Term** are usually for a term of either three or five years
- **Extent of tie** will vary from agreements tied for beer products only through to those which have a full tie for all beer, cider, flavoured alcoholic beverages (FABs), wines spirits and minerals products
- **Rent reviews** cyclical rent reviews do not apply, annual indexation is normally included
- **Repairing and insuring obligations** have partial repair obligations and the tenant is responsible for insuring
- **Landlord and Tenant Act protection** the vast majority are contracted out of the Landlord and Tenant Act

Free of tie leases – 157 agreements sit outside the Pubs Code

- **Term** are usually for a term of between five and 20 years
- **Extent of tie** free from all wet product tie
- **Rent reviews** will usually be on a five-year cycle. At review the rent can be reviewed upwards only. Some FOT leases will also have annual indexation included
- **Repairing and insuring obligations** are substantially FRI where the tenant is responsible for all repairs and insuring
- **Landlord and Tenant Act protection** usually contracted into the Landlord and Tenant Act, giving the tenant automatic renewal rights when their lease expires

Tenancy at Will – 361 agreements 351 sit inside the Pubs Code and 10 sit outside the Pubs Code

- **Term** are all short-term agreements determinable at will
- **Extent of tie** will vary from free of tie agreements through to those which have a full tie for all beer, cider, flavoured alcoholic beverages (FABs), wines spirits and minerals products

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- **Rent reviews** do not apply
- **Repairing and insuring obligations** tenant responsible to put and keep the interior of the premises in a tidy condition, tenant is responsible for all insuring
- **Landlord and Tenant Act protection** does not apply

Section 3: Code Compliance

Part I: Investigations

Narrative report on how the POB has co-operated with the PCA in respect of any investigations under section 53 SBEEA into that POB or any combination of POBs during the reporting period. Where an investigation has concluded, the action taken by the POB as a result of that investigation.

If none – enter N/A.

N/A

Part II: Enforcement

Narrative report on the steps the POB has taken to comply during the reporting period with any enforcement measures taken by the PCA in respect of it under sections 55-58 SBEEA.

If none – enter N/A.

N/A

Part III: Guidance and Advice

Narrative report on the steps the POB has taken in response to any guidance issued by the PCA under section 61(3) SBEEA or advice given by the PCA under section 60 SBEEA during the reporting period.

Beer Waste and Duty Guidance - Published 10/04/19 & Effective 01/07/19

- Briefed to group via business bulletin on internal intranet dated 23/04/19
- All BDMs responsible for carrying out rent assessments trained via e-learning module released on 25/06/2019 prepared by an internal Licensed Trade Valuer, a member of the Royal Institution of Chartered Surveyors.
- Incorporated into induction training for new starter BDMs
- Changes made to our P&L system to incorporate changes with effect from 01/07/19 and continuous improvements made since to improve visibility of data provided on our Rent Assessment Proposals and Rent Proposals.

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Advice on Taking the MRO option - Tied rent considerations - Published 07/06/19 & Effective 05/07/19

- Relevant personnel briefed 27/06/19 (provided to PCA with correspondence dated 21/10/19)
- Briefed to group via business bulletin on internal intranet dated 01/07/19
- Incorporated into induction training for new starter BDMs and relevant personnel (extract provided to PCA with correspondence dated 29/08/19)
- All tied pub tenants who exercised their MRO rights that were subject to a rent increase during the MRO process which resulted in the completion of an MRO agreement were provided with a credit to the equivalent of that increase plus 5% interest.

Advice on Taking the MRO option - Regulatory Compliance Handbook: MRO proposals - Published 20/11/19 & effective immediately

- Briefed to relevant personal electronically 19/12/19
- Briefed to group via business bulletin on internal intranet dated 19/12/19
- Tied pub tenants notified via Publican Channel of release of Regulatory Compliance Handbook 14/01/20
- Tied pub tenants notified via Publican Channel of release of PCA video in relation to the Regulatory Compliance Handbook 04/03/20
- MRO policy updated and provided to tied pub tenants with MRO offer (copy provided to PCA with correspondence dated 05/02/20)

Part IV: Unfair Business Practices

Narrative report on the steps taken by the POB in response to any representations from the PCA during the reporting period about business practices that have been the subject of a report on avoidance to the Secretary of State under section 71A SBEEA.

If none – enter N/A.

N/A

Section 4: Tied Agreements

Part I: Code Tied Agreements															
<i>During the reporting period, numbers of:</i>															
<p>New Agreements</p> <p>This number includes all new lettings, tenancies that are agreed consecutively and surrender re-grants of substantive agreements and all short-term agreements granted in the reporting period.</p> <p>In total, there were 1,085 new agreements in 784 pubs (some will have been let on both Tenancy at Will and substantive agreements to the same tenant).</p> <table border="1"> <thead> <tr> <th><i>Type of new agreement</i></th> <th><i>No</i></th> </tr> </thead> <tbody> <tr> <td><i>New Letting</i></td> <td><i>309</i></td> </tr> <tr> <td><i>Consecutive tenancies</i></td> <td><i>48</i></td> </tr> <tr> <td><i>Surrender of substantive and re-grant</i></td> <td><i>81</i></td> </tr> <tr> <td><i>Total substantive agreements</i></td> <td><i>438</i></td> </tr> <tr> <td><i>Tenancy at Will agreements</i></td> <td><i>647</i></td> </tr> <tr> <td><i>Total new agreements</i></td> <td><i>1,085</i></td> </tr> </tbody> </table>	<i>Type of new agreement</i>	<i>No</i>	<i>New Letting</i>	<i>309</i>	<i>Consecutive tenancies</i>	<i>48</i>	<i>Surrender of substantive and re-grant</i>	<i>81</i>	<i>Total substantive agreements</i>	<i>438</i>	<i>Tenancy at Will agreements</i>	<i>647</i>	<i>Total new agreements</i>	<i>1,085</i>	1,085
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<p><i>Narrative report on how the POB has complied with Code pre-entry requirements in relation to new tenants.</i></p> <p>Prior to 01/07/19, we did not issue a Rent Proposal to the proposed tied tenant as part of the new letting process. The PCA was made aware of this via correspondence dated 03/07/19.</p> <p>All transactions including back to back tenancies and surrender re-grants of substantive agreements received a Rent Proposal.</p> <p>All other pre entry requirements were met in the reporting period.</p>															
<p>Assignments</p> <p>This includes full tenancy changes and deed of substitution of all personal guarantors.</p> <p>This excludes deed of substitution of one name, removal of name, addition of name and individuals becoming Ltd company.</p>	39														
<p>Forfeitures</p> <ul style="list-style-type: none"> Of pre-Pubs Code tenancies 	51														
<ul style="list-style-type: none"> Of pre-Pubs Code tenancies 	33														

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<ul style="list-style-type: none"> • Of tenancies granted since the Pubs Code came into force 	18
<p><i>Breakdown of how many Forfeitures were for tenancies of:</i></p> <ul style="list-style-type: none"> • <i>Less than 1 year = 0</i> • <i>between 1-2 years = 0</i> • <i>between 3-5 years = 28</i> • <i>6 years and older = 23</i> <p><i>Narrative report on reasons for forfeiture.</i></p> <p>Of the 51 forfeitures effected by legal proceedings during the reporting period;</p> <ul style="list-style-type: none"> • 20 related to tenant insolvency events • 17 related to tenant debt • 11 related to multiple breaches • 1 related to the tenant failure to open • 1 related to risk to the premises licence • 1 related to expiry 	
Section 146 notices issued	31
<p><i>Narrative report/breakdown of the process and/or procedures followed before and following issuing a Section 146 notice.</i></p> <p>Prior to issuing Section 146 notice the following steps are taken:</p> <ul style="list-style-type: none"> • Discussion between tied pub tenant and Regional Manager • Escalated to Legal Services - account review and advice note issued detailing legal options • Relevant approvals sought including from the Divisional Director for service of notice • Written correspondence prior to formal notice if appropriate • Opportunity for the Tied Pub Tenant to remedy the breach. • If the breach is not remedied and/or should a rent breach arise (whichever is the sooner) possession proceedings will be commenced via the courts. <p>Following service of S146 notice:</p> <ul style="list-style-type: none"> • Regional Manager remains engaged throughout notice period • Legal Services follow up on or near to expiry to manage next steps (Regional Manager to arrange peaceable re-entry / instruct solicitors to issue forfeiture proceedings) • If forfeiture proceedings are issued the tied pub tenants account is suspended and all further correspondence are dealt with via solicitors. 	
<p>Legal Surrenders <i>(where the tenant has surrendered their agreement and left the pub and <u>not</u> instances of 'surrender and regrant').</i></p>	256
<p><i>Narrative report on the reasons for these Legal Surrenders.</i></p> <p>Of the 256 surrenders completed during the reporting period 166 were on tenancies which include a notice period within the agreement and 90 were on leases.</p> <p>Of the 256 Legal Surrenders;</p> <ul style="list-style-type: none"> • 63 related to the landlord agreeing to accept a shorter notice period than prescribed in the agreement 	

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<ul style="list-style-type: none"> • 9 related to tenant’s financial circumstances where there was debt and surrender was mutually agreed between landlord and tenant where circumstances may have otherwise required court proceedings to recover possession • 9 related to mutual agreement between the landlord and tenant where there were potential insolvency issues on the horizon for tenant • 1 related to mutual agreement between landlord and tenant where issues had arisen with premises license • 34 related to requests by the tenant, for various reasons relating to the tenant’s personal circumstances, to surrender and the landlord agreed • 29 related to commercial terms where the landlord paid a premium to the tenant for the tenant to surrender before contractual expiry of the agreement • 5 related to agreements that were approaching contractual expiry and parties agreed commercial terms to bring forward the date of expiry • 1 related to a lease that contractually expired on a Saturday and parties agreed to bring the agreement to an end via surrender • 4 related to mutual agreement between the landlord and tenant following a breach of obligation under the agreement by the tenant • 2 related to the landlord serving notice on the tenant then agreeing to accept a shorter notice period • 6 were following the death of the publican and were agreed with the executor of their estate • 87 were mutually agreed between the parties for various reasons • 6 were mutually agreed via Deed between the parties for various reasons. 	
Abandonments	25
<p>Please note the above includes peaceable re-entries and tenancies where notice could have been served by Ei Group or the tenant, but site was abandoned sooner by agreement rather than waiting to the end of the tenants notice period.</p>	
Renewals	1
<p><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information.</i></p> <p>All code statutory information was provided for the renewals completed in the reporting period.</p> <p>Within the reporting period we also completed 61 deeds of variation to extend the term of the existing lease.</p>	
<p><i>Please explain the approach the POB has taken to agreeing terms in renewals to deal with assessments of terminal dilapidations.</i></p> <p>A schedule of dilapidations is prepared for all renewals 18-24 months before the contractual end date of the lease. Surveys are prepared by suitably qualified external surveyors who identify the work that needs to be completed by the tenant to comply with the terms of their lease. All such surveys are carried out having regard to the Pre-Action Protocol for Claims for Damages in Relation to the Physical State of Commercial Property at Termination of a Tenancy (the 'Dilapidations Protocol').</p>	

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<p>A copy of the schedule of dilapidations is issued to the tenant, giving them adequate time to complete the necessary works before the end of the term. Any points disputed by the tenant or their surveyor will be negotiated by both parties with a view to reaching agreement on what needs to be done.</p>	
<p>Investment Exceptions agreed under Regulation 56 (<i>the data requested here is for the number of investment exceptions agreed during the reporting period. The data requested in Section 2 is for the total number of current investment exceptions</i>).</p>	1
<p>Part II: Code Rent Proposals & Rent Assessment Proposals <i>During the reporting period numbers of:</i></p>	
<p>Total number of Rent Proposals and Rent Assessment Proposals in connection with a contractual review</p> <p>There were 271 Rent Assessment Proposals issued in connection with a contractual review.</p> <p>There were no Rent Proposals issued in connection with a contractual review.</p>	271
<p><i>Narrative report on how the POB has complied with the Code requirements to provide statutory information.</i></p> <p>Please refer to Part I Code Tied Agreements for details on Rent Proposals not issued on new letting transactions.</p> <p>16 Rent Assessment Proposals in relation to end of lease rent reviews were not issued due to:</p> <ul style="list-style-type: none"> 11 Received an opposed renewal notice 3 Tied pub tenants had served a S27 notice to leave at lease expiry 1 Tied pub tenant had exercised their option to renew 1 Tied ltd company had dissolved and therefore the tied tenant no longer existed <p>These have all previously been self-notified to the PCA, please refer to Section 7 Part III.</p> <p>All other code statutory information was provided in the reporting period</p>	
Total number of Rent Assessment Proposals requested by tenant	14
RAPs requested by reason of no rent review concluded in last 5 years	13
RAPs requested by reason of a significant increase in price	0
RAPs requested by reason of a trigger event	0

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Narrative report on how the POB has complied with the Code requirements to provide statutory information.

1 Rent Assessment Proposal was requested by the tied pub tenant due to missing information

All approved tenant requests were provided with a code compliant rent assessment proposal.

Narrative report on how the POB has complied with the statutory Code deadlines.

All approved tenant requests were provided with a rent assessment proposal within the code timescales.

Total number of requests for Rent Assessment Proposals rejected

3

Narrative report on the reasons for rejecting requests for Rent Assessment Proposals.

The 3 rejections were due to there being a rent assessment concluded within 5 years of the request.

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Part III: Renewals under the Landlord and Tenant Act 1954 (LTA)	
<i>During the reporting period numbers of:</i>	
Section 25 Notices issued opposing a new tenancy	18
Section 25 Notices issued proposing a variation of the terms	1
Section 26 Notices opposed	3
Section 26 Notices unopposed	11
<p><i>Narrative report on:</i></p> <ul style="list-style-type: none"> • Which grounds were relied upon to oppose the s.25 and s.26 renewals • How many notices were unopposed by the tenant • How many Section 25 notices were opposed by the tenant • What is the current status of these cases. <p>Of the 21 opposed notices (s25 & S26) this was the combination of grounds;</p> <p>Grounds A, C and G cited in 14 notices</p> <p>Grounds A & C cited in 1 notice</p> <p>Grounds A, B & C cited in 1 notice</p> <p>Ground G only cited in 5 notices</p> <p>Of the 21 opposed notices 20 were uncontested during the reporting period, one section 25 notice was opposed by the tenant. 16 of these are still live, 3 publicans have vacated in the period and 2 publicans agreed a further lease term.</p>	
LTA court proceedings where the POB relied in whole or in part on an intention to take the pub back into occupation	1
Please note that there were 9 live cases during the reporting period (where a court application had been made), however only 1 of these relate to notices served and applications made during the period.	
• Of which, the number of objections to a new tenancy that were upheld	0
• Of which, the number of objections to a new tenancy that were dismissed	0
<p><i>Narrative report, to include:</i></p> <ul style="list-style-type: none"> • The timeline the POB follows. • The preparatory work done to identify which pubs to take back into management, including who/what body is responsible for making any relevant decisions and how that decision is made. • The documentation and process that is then completed to confirm the intention to take a particular pub back into management, prior to service of the relevant notice. 	

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<p><u>Preparatory Work</u></p> <p>18 Months prior to the end date of the lease:</p> <ul style="list-style-type: none"> We commission an external terminal schedule of condition. <p>12 Months prior to the end date of the lease:</p> <ul style="list-style-type: none"> Our in-house surveyor re-inspects the property to assess whether the work has been done or is in progress. Our Regional Manager prepares a tied rent assessment for approval by the Divisional Director and the RICS-qualified Licensed Trade Valuer. We ask our Managed house and Joint Venture teams to assess the potential of the pub to be run by us at a higher total income than we would expect upon a lease renewal. We ask our Estates team to review the potential to maximise capital value by redevelopment. <p>9 Months prior to the end date of the lease:</p> <ul style="list-style-type: none"> We collate the assessments at our Asset Optimisation Panel and decide whether to serve a S25 notice at all; and if we do, whether it should be an opposed notice. <p><u>Documentation & Process</u></p> <ul style="list-style-type: none"> The authority to serve S25 notice (or reply to a S26 notice) is recorded by our Asset Optimisation Panel (AOP) minutes. The AOP minutes are given board approval by the CEO and CFO. The relevant notices are then prepared by our Legal team and duly served on the lessee. <p>The process is the same whether or not our plan is to take the pub into our own management</p>	
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<p>Part IV: Other contractual renewals (where applicable)</p> <p><i>During the reporting period, numbers of:</i></p>	
Tenants who exercised a contractual right to renew their tenancy	3
<ul style="list-style-type: none"> Of which, the number of these to which the POB consented 	3
<ul style="list-style-type: none"> Of which, the number of these that were opposed by the POB 	0
<p>Total number of contractual renewals</p> <p>1 Out of the 3 contractual rights to renew exercised in the period completed a renewal agreement.</p> <p>A further contractual right to renew renewal agreement completed in the period that was exercised in the previous reporting period.</p>	2

Section 5: MRO

Part I: MRO Notices	
<i>During the reporting period, numbers of:</i>	
Total number of MRO Notices received and acknowledged	93
<ul style="list-style-type: none"> • Following receipt by a TPT of a Rent Assessment Proposal 	75
<ul style="list-style-type: none"> • In relation to the renewal of a tenancy 	18
<ul style="list-style-type: none"> • Requested in response to a significant increase in price 	0
<ul style="list-style-type: none"> • Requested in response to a trigger event 	0
<p><i>Narrative report on the nature of the circumstances relied upon by tenants in support of claims of trigger events (from business cases received from tenants).</i></p> <p>There have been no requests in response to a trigger event in the reporting period.</p>	
Total number of MRO Notices accepted	81
Total number of MRO Notices rejected	10
<ul style="list-style-type: none"> • Following receipt by a tenant of a Rent Assessment Proposal 	7
<ul style="list-style-type: none"> • In relation to the renewal of a tenancy 	3
<ul style="list-style-type: none"> • Requested in response to a significant increase in price 	0
<ul style="list-style-type: none"> • Requested in response to a trigger event 	0
<p><i>Narrative report on the reasons for rejecting MRO Notices.</i></p> <p>5 were rejected on the basis that they were served out of time</p> <p>4 were rejected on the basis that no event had occurred</p> <p>1 was rejected on the basis that the MRO notice did not contain all required information, this subsequently followed by a valid notice</p>	
Total number of MRO Notices not rejected and withdrawn by the tenant	2
<p><i>Narrative report on the reasons for withdrawal of MRO Notices.</i></p> <p>The above question has been answered based on MRO notices withdrawn by the tenant prior to receiving an MRO Proposal. These were withdrawn due to agreeing a new tied arrangement.</p> <p>Any other MRO notices withdrawn following an MRO proposal are included in Part II.</p>	
Total number of MRO Proposals issued	80

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<p>Based on the MRO proposals issued in the reporting period so does not directly relate to the number of MRO notices accepted listed above.</p>	
<p><i>Narrative report on how the POB has complied with the statutory Code deadlines, including the process followed and how a decision is made regarding the length of the lease at renewal and how a decision is made regarding the length of the lease when other MRO gateways are used.</i></p> <p>The administration process is managed by the rent review team who work with the BDMs to ensure that all deadlines are met.</p> <p>2 MRO Full Responses were issued late due to human error. 1 was previously reported to the PCA in correspondence dated 15/07/19, the other was picked up in preparation of this report, the breach occurred on 19/06/19.</p> <p>All other statutory code deadlines have been met within the reporting period.</p> <p>If MRO has been exercised mid-term then the proposal will be based on the remainder of the existing tied tenancy. If exercised at renewal or within the last 12 months of the term (and we aren't opposing renewal) then the proposal will be based on what we would be prepared to offer for a tied renewal. This is usually 5 years, based on a possible intention to take back for our own occupation under our growing managed estate. These decisions are made by our Asset Optimisation Panel, who carry out a full asset review to determine what the most appropriate operating model for the pub is. Where the tied tenancy contains a contractual right to renewal this will also be considered.</p>	

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Part II: MRO Negotiations

During the reporting period numbers of

MRO Negotiations undertaken with tenants

157

This includes all MRO proposals issued in the reporting period and any ongoing from MRO proposals issued in the previous reporting period where the MRO procedure had not ended.

Narrative report, in order of frequency and enumerated, on which are the 10 terms most often included in a draft MRO proposed tenancy sent to a tenant who has sent an MRO Notice but not included in the executed MRO tenancy.

Answered below based on the 40 MRO tenancies executed in the reporting period.

Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement (please list and enumerate)

Our precedent MRO tenancy has been amended throughout the reporting period following outcomes of arbitrations, this is reflected in the first column of the below table.

Clause	Included in draft MRO lease	Included in final MRO lease	Number of times included in draft but not final
Clause 1 (9) Reference to 'valuation' in definition of 'insurance rent'	40	38	2
Fourth Schedule Clause 9 (5) Full statutory compliance clause	40	38	2
Fourth Schedule Clause 9 (6) Jervis v Harris right in relation to breach of statutory compliance	40	39	1
Sixth Schedule Clause 2 Cyclical rent review provisions included	40	38	2
Fourth Schedule Clause 12 (6)(b)(ii) Specific right to seek undertaking for costs on a request for licence to assign	30	26	4

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Fourth Schedule Clause 12 (6)(b)(iii) and/or status included in assignee alienation provision	30	27	3		
Fourth Schedule Clause 19 The general right to seek security for costs included	30	25	5		
Fourth Schedule Clause 19 (2) Insurance valuation recharge clause included	30	22	8		
Fifth Schedule Clause 7 (1)(g) Right to forfeit if tenant stops trading clause included	30	24	6		
Seventh Schedule Clause 3 (i) 'uniquely' included in definition of 'tenants goodwill'	30	24	6		
MRO tenancies agreed					40
• Of which number of free of tie arrangements agreed by new agreement					32
• Of which number of new free of tie arrangements agreed by deed of variation					8
Total number of tied settlements connected with MRO negotiations					44
• Of which number of new tied arrangements agreed by new lease					1
• Of which number of other new tied arrangements agreed (rent or other terms)					31
• Of which number of tied tenant departures from the pub					12
• Other outcomes This includes claims that were withdrawn by the tenant following the MRO proposal and superseded by a new notice.					2
• Ongoing – yet to be concluded This includes claims that have timed out or have been parked awaiting the outcome of an opposed renewal notice.					71

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Part III: MRO Independent Assessment

During the reporting period, numbers of:

Total Independent Assessor appointments	23
• Of which number that were appointed jointly in agreement with the tenant	21
• Of which number that were appointed by the PCA	2

Please list the Independent Assessors appointed during the reporting period, and for each Independent Assessor the number of appointments.

Andrew Crease & Co	3
Barry Crux Company	3
Christie & Co	3
Cobbs Consultancy	5
Eddisons Taylors	4
Savills (UK) Ltd	3
Tim Munden & Co	1
Walton Goodland	1
	23

In each case where the MRO rent has been set following an Independent Assessor please set out

- *the proposed MRO rent*
- *the MRO rent set by the Independent Assessor*

Award no	Date of IA award	MRO Proposal	IA award	TPT IA Submission
Award 1	26/04/2019	90,000	61,875	31,875
Award 2	02/05/2019	85,000	56,100	43,589
Award 3	06/06/2019	77,600	45,900	38,000
Award 4	14/06/2019	108,000	86,400	56,000
Award 5	21/06/2019	145,000	112,500	80,000
Award 6	21/06/2019	295,000	226,000	190,000
Award 7	26/06/2019	67,000	39,350	32,000
Award 8	18/07/2019	170,000	109,200	90,000
Award 9	25/07/2019	128,000	101,750	56,000
Award 10	25/07/2019	125,000	100,000	50,000
Award 11	06/08/2019	50,000	29,250	23,022

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Award 12	08/08/2019	137,000	94,340	135,000	
Award 13	15/08/2019	70,000	52,500	27,400	
Award 14	22/08/2019	95,000	51,125	25,500	
Award 15	22/08/2019	49,000	30,600	21,500	
Award 16	12/09/2019	91,000	73,000	53,000	
Award 17	13/09/2019	47,500	34,000	25,000	
Award 18	17/10/2019	75,000	44,600	48,900	
Award 19	29/11/2019	70,000	31,000	21,650	
Award 20	09/01/2020	84,000	61,375	44,000	
Award 21	09/01/2020	79,000	62,150	35,000	
Award 22	10/02/2020	95,000	65,000	61,815	
Award 23	27/02/2020	125,000	92,500	62,000	
Award 24	18/03/2020	96,500	38,500	52,000	
Independent Assessments challenged					3
2 challenges were made by the tenant, 1 challenge was made by Ei Group.					
Any second challenges to Independent Assessments					0
<i>Narrative reporting on the reasons for the challenging by the POB of independent assessments.</i> None					

Section 6: Other Code Reporting

<p>Code Part 10 Provisions</p> <p><i>For the reporting period, reports on compliance with:</i></p>	
<p>Regulation 46 – Insurance provisions</p>	
<p><i>Please provide details of the types of policies purchased; whether by the POB or by the tenant; and any intermediaries involved</i></p> <p><i>Please provide details of any packaged insurance products offered to tenants, and a narrative on how their market value is tested.</i></p> <p><i>What commission do the POB where relevant make from insurance policies provided to tenants?</i></p> <p><i>How many tenants found a cheaper insurance policy elsewhere and had their policy price matched</i></p> <p>Ei Group purchase a number of different corporate insurance policies. The main insurance cover is for property which is arranged for all tied pubs in accordance with their agreement obligations.</p> <p>The policy is placed on a block basis with a third party, unconnected reputable insurer and insurers agree the premium allocation methodology to property level. The block arrangements are reviewed on an annual basis to ensure the policy structure continues to provide significant advantages to our tenants in terms of policy coverage (including very minimal exclusions) and claims service in a cost-effective manner.</p> <p>AJ Gallagher administrate the tenants policies for business insurance and issue documentation however the contract is between the insurer and the tenant and the policy holder is the tenant.</p> <p>Ei Group receive commission on policies issued by the insurer which covers the cost of Ei Group administering the scheme, raising invoices and collecting the payments for the policies. The commission received per policy on business insurance is an average of 17% and on buildings insurance is a flat rate of 17%.</p> <p>We do not price match on the business insurance, however at the most recent renewal in October 2019, 39 tenants chose to make their own arrangements for business insurance. With Building insurance, 33 tenants had successful recharge challenges resulting in them having their building insurance recharge reduced during the period of 1st April 2019 up to 31 March 2020.</p>	
<p>Regulation 47 – Gaming Machines</p>	
<p>Number of new Pubs Code tied agreements in which:</p>	
<p>The tenant has accepted a machine tie within the tied agreement itself</p> <p>Our agreements prohibit gaming machines</p>	<p>0</p>
<p>The tenant has accepted a machine tie in a side agreement</p> <p>This is based on the number of tenants that have signed a machine tie side agreement to allow the use of machines on a profit share arrangement.</p>	<p>1,071</p>

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<p><i>Narrative reporting: please provide details about when tenants are asked to enter into side agreements. Is this at the same time as signing the tied agreement or later?</i></p> <p>If the tenant has chosen to enter into a machine tie side agreement this would be entered into at the point of signing the tenancy agreement.</p>	
<p>The tenant has sourced a free of tie machine agreement with a third-party supplier</p> <p>This is based on the number of tenants that have signed a machine tie side agreement to allow the use of machines on a free of tie basis.</p> <p>We are not able to confirm if the tenant has a machine arrangement with a third party.</p>	14
<p>The tenant has chosen not to have machines</p> <p>We are not able to confirm in every instance if the tenant has decided not to have gaming machines.</p>	
<p>Regulation 48 – Requests for blank profit and loss templates</p>	
<p><i>Narrative report</i></p> <p>A link to a copy of the Business Plan template is supplied to all tenants on the letter they receive from the business at the start of the process. There is also a copy available for download from the Publican Partnerships website should it be required.</p> <p>www.eipublicanpartnerships.com/Documents/business-plan.pdf</p>	
<p>Regulation 49 – Sale of freehold or long leasehold (including numbers)</p>	
<p><i>Narrative report</i></p> <p>Please refer to Section 2</p>	
<p>Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)</p>	
<p><i>Narrative report</i></p> <p>We do not subject tied pub tenants to any detriment on the ground that a tenant exercises, or attempts to exercise, any right under the regulations. BDM training supports this stance, with references being included in our new starter induction training and our annual training.</p> <p>There has been no finding of tenant detriment through arbitration.</p>	
<p>Regulation 51 – Flow Monitoring Devices</p>	
<p><i>Narrative report</i></p>	

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Ei Group operates flow monitoring devices in the majority of our tied outlets and employs a field-based Loss Prevention team to visit pubs to investigate potential breaches of the purchasing obligations by performing cellar checks and bottle/container audits. While the output of the flow monitoring devices is used in this process, we do not raise any charges to tenants without additional, corroboratory evidence relating to the alleged breach. There are a number of different types of additional evidence of purchases outside of the tie requirement, such as photographic or documentary proof of such purchases, financial accounting information and ordering patterns inconsistent with the observed sale of products. In addition, all proposed charges are discussed, with tenants before any charges are confirmed.

Section 7: Reporting on Tenant Complaints, Code Breaches and Arbitration

<p>Part I: Breaches of the Code identified by tied pub tenants</p>
<p><i>Narrative report on Code-related complaints by tied pub tenants during the reporting period covering:</i></p> <ul style="list-style-type: none"> • <i>The total number of complaints</i> • <i>The parts of the Code concerned</i> <p>4 Code related complaints were made within the period, these were all in relation to ‘Duties of the POB in relation to Rent Assessments & Proposals’</p>

<p>Part II: Steps taken in relation to Code breaches</p>
<p><i>Statement on internal procedures for handling complaints about breaches and alleged breaches of the Code</i></p> <p>Code related matters are managed by the BDMs, (Operations, Property and Business Development teams). If issues are not resolved this way, there is an official complaints process which is administered by a dedicated team. Complaints may be received through external email, post, telephone or from company personnel. If the complaint is taken by phone, a written summary is requested to ensure all details are correct.</p> <p>There is an email address on the EIPP website under ‘contact us’, opsadmincentral@eigroupplc.com, which can be used to submit complaints. The Pubs Code email address pubscodemail@eigroupplc.com is also effective in receiving complaints relating to the Code. Details are distributed to the Compliance Officer and the subject matter experts for investigation and response. Progress is monitored and managed by the Customer Care Officer, with oversight by senior management.</p>
<p><i>Narrative report on actions in response to complaints detailed in Part I covering:</i></p> <ul style="list-style-type: none"> • <i>Handling (including details of formal referrals to the PCA)</i> • <i>Outcomes (including cases unresolved at the end of reporting period)</i> • <i>Breaches upheld:</i> <ul style="list-style-type: none"> ○ <i>Internally</i> ○ <i>Following referral to PCA</i> <p>2 Of the complaints detailed in Part I of this section had referrals to the PCA, following a PCA award, Ei Group has since provided 1 with a revised Rent Assessment Proposal and the other compliant remains a live arbitration case with the PCA at the date of this report.</p> <p>The other 2 complaints detailed in Part 1 of this section were dealt with through our internal complaints process, the tied tenant notified that they intended to refer to the PCA but did not proceed with their referral.</p> <p>Where there is a referral to the PCA, the investigation also includes the services of Gosschalks, Ei Group solicitors.</p>

Part III: Self-notification of breaches

Narrative report on any cases during the reporting period where the POB has self-notified the PCA of breaches of the Code (including steps taken to prevent further occurrences)

Ei Group self-referred non-material breaches of the Code to the PCA in correspondence dated 15/07/19, 05/02/20 and 25/08/20.

Part IV: Referrals for arbitration

During the reporting period, numbers of:

Total MRO cases referred to the PCA	37
Referrals of MRO terms on grounds that they are not MRO-compliant	37
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	2

Please describe and enumerate the cases where breaches of the Code were found by the PCA.

There were 11 cases within the reporting period where breaches of the Code were found by the PCA (or an external arbitrator) by way of an award.

MRO

Proposed tenancy not MRO-compliant – 7

Non-MRO

POB served invalid Rent Assessment Proposal – 3

POB failed to provide supporting information to a Rent Assessment Proposal – 1

Please describe and enumerate:

- *All referrals for arbitration on the same issue or very similar issues (including multiple challenges to the same term in MRO proposals).*

Our draft proposed MRO tenancy continues to evolve following awards from the PCA and the obtaining of expert reports. We have changed most of the criticised terms in our draft MRO tenancy, but there are areas where the awards/expert reports have not been consistent. We invite further guidance from the PCA in this area.

Please refer to Section 5 Part II: MRO Negotiations; which provides detail in relation to regularly challenged terms.

- *The number of these where arbitration proceedings continued following a determination by the arbitrator of non-compliance.*

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Out of the 7 awards based on 'Proposed tenancy not MRO-compliant' there were 3 awards where a decision could not be made, and the order was to try to negotiate the final terms. There was no order to send a formal revised Full Response.

The remaining 4 were provided with a revised Full Response based on the award.

Part V: Other complaints made by tenants

Narrative report on the nature and volume of complaints about their tenancy by tied pub tenants during the reporting period not specifically reported on elsewhere, including the type/subject of complaint, outcome of the complaint and the time taken to resolve the complaint.

The number of complaints received by Ei Group averages 2 per week. The reasons for these complaints are varied and includes matters such as delivery issues and escalations of day to day issues. It should be noted that these are separate to complaints that refer to the Pubs Code as set out in Part I.

Section 8: Corporate Compliance Structures

Part I: Compliance Officer

A declaration, evidenced as necessary, that the POB has met in full its duty under Regulation 42 to appoint and empower a Compliance Officer and maintained written records of training received in connection with each undertaking covered by the report.

We confirm that we have met in full our duty under Regulation 42 to appoint a Compliance Officer whose role is to verify the pub-owning business's (POB's), compliance with the Pubs Code.

- Resources are made available to carry out the role.
- BDM access is permitted.
- Tenant access is available through the Pubs Code email address on the website. This includes the ability to coordinate the discussions of decisions made by the POB through subject matter experts.
- The reporting line is not through a BDM function.
- Contact with PCA is encouraged.
- Written records of BDM training are maintained.

Please provide the Training Log as an Annex to the report³, together with an organogram showing your position within the management structure.

Please find attached Appendix 1 (BDM training log)

Please find attached Appendix 2 (CCO organogram)

Please note that the Code Compliance Officer changed with effect from 9th March 2020, the organogram has been completed based on the Code Compliance Officer at the date of this report.

Part II: Business Development Managers (BDMs) - Training

A declaration that the POB has published in relation to each undertaking covered by the report – and sent the latest version to the PCA – the document required by Regulation 41(5) specifying:

- *Its commitment towards the continuous professional development and improvement of its BDMs and how it proposes to fulfil that commitment, referring where appropriate to relevant qualifications and training.*

We have published the document required by Regulation 41(5) which is available on our website:

<https://www.eipublicanpartnerships.com/Documents/business-development-manager-roles.pdf>

³ Training logs are requested as evidence in support of the compliance statement.

Please also find attached Appendix 3 (CPD declaration)

Narrative report confirming that:

- *All BDMs in post when the Code came into force or appointed since received a copy of the Code before liaising with tied pub tenants on pub matters.*

We can confirm that all BDMs in post when the Pubs Code came into force and BDMs that have since been appointed, have received a copy of the regulations before liaising with tied pub tenants on pub matters.

Existing BDMs received a copy of the Code as soon as it became available following introduction. All new starters receive a copy during our Company induction. New starters are also required to sign to confirm that they have received a copy, and this is scanned and stored in their training record.

Schedule of BDM Code training and guidance during the reporting period including:

- *Outlines of the various forms of training delivered to BDMs – including whether it is delivered internally or externally; and how it is accredited*

All new BDMs receive internally delivered Pubs Code training as part of their induction.

Full Code training was delivered to all new BDMs by the Code Compliance Officer on a face to face basis up until 22nd October 2019, since this date it has been delivered via an e-learning module prepared by the Code Compliance Officer and approved by the Group Compliance Director.

Please note that the Group Compliance Director became the Code Compliance Officer with effect from 9th March 2020.

- *Confirmation that all BDMs who are responsible for conducting rent assessments have received appropriate training before doing so (including reporting on exceptions and remedial action).*

All new BDMs responsible for conducting rent assessments received training from one of our internal Licensed Trade Valuers who are members of the Royal Institute of Chartered Surveyors. This includes ways of working and specific P&L training.

- *Schedule of all Code updates and guidance issued to BDMs.*

Please find attached Appendix 4 (Pubs Code Updates)

- *Narrative on how BDM's have been trained in respect of newly issued and existing PCA advice, guidance and/or arbitrations.*

We issue Business Bulletins on our internal intranet providing informal updates to BDMs about Code publications. All BDMs upon induction are requested to sign up to the alerts from the PCA website.

Following the release of any Advice or Guidance from the PCA where more formal training is

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required this will be supported by an e-learning module.

Annual refresher training was delivered to all BDMs via an e-learning module in July 2019, this included content recorded by the PCA.

Outcomes of arbitration are discussed, and actions agreed with relevant personnel and our solicitors as and when they are released and at routine quarterly meetings.

Please provide training materials as an Annex to the report.

For supporting evidence please refer to the copy of the Code Compliance Officer Pubs Code e-learning module that was shared with the PCA on 18th July 2019.

Part III: Business Development Managers - Conduct

Statement of how the POB ensures that BDMs act in a manner that is consistent with the core Code principle of fair and lawful dealing in relation to tied pub tenants; include supporting evidence.

All BDMs have been trained on the requirements of the Pubs Code including acting in a manner that is consistent with the core Code principle of fair and lawful dealing.

As detailed in Part II of Section 8 all new BDMs receive internally delivered Pubs Code training as part of their induction and on an annual refresher basis which was completed in July 2019.

The need for compliance with the core principles of the Code is reviewed regularly at team meetings and line managers will observe the manner in which BDMs deal with their tied tenants during accompanied visits to ensure that they act appropriately and in the spirit of fair and lawful dealing.

For supporting evidence please refer to the copy of the Pubs Code e-learning module that was shared with the PCA on 18th July 2019.

Confirmation of the processes in place to ensure that BDMs:

- *Make appropriate notes of discussions with tied pub tenants in connection with:*
 - *Rent proposals*
 - *Rent assessments / assessments of money payable in lieu*
 - *Repairs to the pub*
 - *Matters relating to the tenants current or future business plans*
- *Provide the tenant with records of the above within 14 days of the discussion*
- *Inform the tenant that they should respond to the BDM within 7 days of receiving the record if they disagree with any aspect of it.*

Please include any supporting evidence in respect of the above.

All BDMs have been trained in the requirement to issue appropriate notes of discussions with tied tenants within 7 days (our company policy) or within a maximum of 14 days of the meeting. As part of these notes the BDM requests that the tenant responds within 7 days if they do not agree with any aspect of the record.

To support this requirement:

- We have a meeting minute app which is used by BDMs to capture the meeting content and agreed actions with timings. Copies are emailed to the tied tenant after the meeting. The template includes a reminder to the tied tenant that they have 7 days to respond. If the tied tenant does not use email, then the minutes are sent by post by our Operations Admin Team at the Pub Support Centre.
- Both the BDM induction and annual Pubs Code training includes training on meeting minute requirements. There is also a further e-learning module to support this for BDMs

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on how to use the app and further training is also covered in the induction training with the Licensed Trade Valuer and Operations Admin Team.

- There is a set of meeting minute templates for the BDMs to use that have been written by a Divisional Director and approved by the Managing Director.
- The quality of minutes is regularly reviewed and verified by line management on a sample basis and refresher training is provided, if required.
- The BDM objectives include a requirement for quality, timely minutes.
- BDMs are provided with weekly/fortnightly reminders to ensure all meeting minutes are issued. Regular reports are issued to track the number of meeting minutes prepared and issued by BDMs and any apparent discrepancies are flagged to and reviewed by the line manager.
- There is a disagreements process.

For supporting evidence please refer to the copy of the Code Compliance Officer Pubs Code e-learning module that was shared with the PCA on 18th July 2019.

For the reporting period, the number of challenges by tenants about the non-provision or content of a BDM record.

Out of a total of 26,321 meeting minute records produced during the reporting period, we are aware of the following challenges:

Non-Provision of Meeting Minutes: 0

Content of meeting minutes: 16

11 disputes led to minutes being re-issued and 5 were not agreed.

Steps taken by the POB to resolve disagreements and any consequential changes to BDM reporting protocols.

Wherever possible BDMs request a signature to confirm the accuracy and relevance of the contents of the minutes before leaving the pub as this minimises the risk of later disagreements. This is not, however always possible.

When disagreements with the minutes are raised by the tenant, the BDM typically discusses the nature of the disagreement or misunderstanding with the tenant and either reissues an updated version of the minutes to reflect the agreed position or emails a response.

There have not been any changes to reporting protocols as this process has been in place since the launch of the Code and has been shown to be effective.

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Submitted by *Stuart Gallyot*

Code Compliance Officer for *Ei Group*

in accordance with Regulation 43 of the Pubs Code etc. Regulations 2016



Signed

Date 30/09/20