

PUNCH

Compliance Report

On behalf of

Punch Taverns Limited

Trading as Punch

Period:

1st April 2018 – 31st March 2019

Compliance Officer:

James Richards

Preamble

Under Regulation 43 of the Pubs Code etc. Regulations 2016 a pub-owning business must ensure that the Compliance Officer submits an annual compliance report to the Pubs Code Adjudicator relating to each financial year.

Section 1: Audit Committee Statement on Compliance

In the absence of an Audit Committee, the Chief Executive Officer hereby declares that the enclosed report has been reviewed and approved in accordance with Regulation 43(5) and that as part of doing so any additional material required under Regulation 43(7) has also been provided and considered. Further to this, a summary of the enclosed report is produced as per Regulation 43(8) and will be made available on the corporate website within the reporting window in compliance with Regulation 43(9).

Name:	Clive Chesser
Position	Chief Executive Officer
Signature:	
Date:	16 th July 2019

Section 2: Tied Estate Summary

As of 31 March 2018, total number of Pubs Code Agreements	1242
Total acquisitions since 31 March 2018	56
Total disposals since 31 March 2018	53
<ul style="list-style-type: none"> • Which were to another Pub Owning- Business (POB) (for use as a pub) 	0
<ul style="list-style-type: none"> • Where the title has been transferred to the ownership of a person who is not a landlord of 500 or more tied pubs (for use as a pub) 	25
<ul style="list-style-type: none"> • Directly disposed for other use [e.g. residential; other commercial] 	28
<p><i>The status of Punch as a landlord with over 500 tied pubs has not changed during the reporting period.</i></p> <p><i>During the reporting period Punch has disposed of 53 properties. Where there has been a TPT in occupation on a substantive agreement, at the time of an event covered under Regulation 49(1) occurring, a respective letter in accordance with Regulation 49(2) had been issued.</i></p> <p><i>Punch has met all of the obligations in regard to provision of information concerning the above transfers as required by the Regulations.</i></p> <p><i>Punch will liaise directly with the PCA in regard to any enquiries concerning any extended protection of rights under Part 11 of the Code.</i></p> <p><i>The difference between the net effect of acquisitions and disposals and the year on year total number of Pubs Code Agreements is due to live Pubs Code agreements at the respective reporting dates.</i></p>	
As of 31 March 2019, total number of Pubs Code Agreements	1217
Of total Pubs Code Agreements, how many are:	
<ul style="list-style-type: none"> • Agreements contracted in to the Landlord and Tenant Act 1954 	483
<ul style="list-style-type: none"> • Agreements not contracted in to the Landlord and Tenant Act 1954 	586
<ul style="list-style-type: none"> • Short Agreements under Regulation 14 	148
<ul style="list-style-type: none"> • Pub Franchise Agreements under Regulation 55 	0
<ul style="list-style-type: none"> • Qualifying Investments under Regulation 56 	1

Types of Agreements

Retail Contracts

TOTAL IN ESTATE = 178

These contracts are based around a turnover share agreement where there is no rent to pay. Publicans are self-employed and operate the pub on behalf of Punch. These Contracts are not tied agreements in accordance with the definition of a 'tied pub' under the SBEE Act 2015. Punch choose to operate under the same principles and behaviours with our Retail publicans as if they are covered under the Pubs Code. Punch currently choose to include the numbers of these sites within Pubs Code estate reporting/figures but will review our agreements in line with the Code on a regular basis.

Short Agreements

TOTAL IN ESTATE = 148

Tenancy at Will agreements or Agreements for less than 12 months where there is a maximum 28-day notice period for either side. These are typically fully tied tenancy agreements covered under the Code.

Unprotected Tenancy

TOTAL IN ESTATE = 399

These are tenancy agreements typically 3 or 5 years in length with fixed terms and contracted out of the Landlord & Tenant Act 1954
Full or partial tie with internal repair obligations only. The agreements normally carry a notice clause for either party which can be served at any time and are covered under the Code.

Protected Tenancy

TOTAL IN ESTATE = 98

These are tenancy agreements typically 3 or 5 years in length with fixed terms and contracted into the Landlord & Tenant Act 1954
Full or partial tie with internal repair obligations only. The agreements are covered under the Code.

Protected Lease

TOTAL IN ESTATE = 385

These are lease agreements typically 10 – 20 years in length. Lease agreements are contracted into the Landlord & Tenant Act 1954, are assignable and have rent review provisions typically every 5 years.
Full or partial tie with fully repairing obligations. The agreements are covered under the Code.

Unprotected Lease

TOTAL IN ESTATE = 9

These are lease agreements typically 5 – 20 years in length. These Lease agreements are contracted out of the Landlord & Tenant Act 1954, are assignable and have rent review provisions typically every 5 years.
Full or partial tie with fully repairing obligations. The agreements are covered under the Code.

Section 3: Code Compliance

Part I: Investigations
N/A
Part II: Enforcement
N/A
Part III: Guidance and Advice
<p><i>Following the publication of the 'Regulatory Compliance Handbook: complying with the principles of the Pubs Code' in December 2017 Punch fully reviewed its publican facing communications in regard to informing publicans about their Code rights. Information and signposting were improved on both the corporate website and internal online ordering/communication platform "The Buying Club".</i></p> <p><i>Further to the above, any communications in relation to rent events which may present an avenue for exploring MRO were reviewed to ensure such legal rights were made clear, in addition where such communications triggered statutory deadlines this was made explicit and automatic reminders of deadlines in relation to MRO requests were put in place.</i></p> <p><i>Further consideration was given to our training schedule and company policies to ensure they remained compliant with the guidance provided within the Handbook. Annual refresher training developed to provide a focus on publican engagement and the role of the BDM.</i></p> <p><i>No further guidance or advice has been issued during the reporting period.</i></p>
Part IV: Unfair Business Practices
N/A

Section 4: Tied Agreements

Part I: Code Tied Agreements	
<i>During the reporting period, numbers of:</i>	
New Agreements	250 <i>(160 Leased and Tenanted plus 90 Retail lets)</i>
<p><i>Pre-Entry Training:</i></p> <p><i>The Punch policy is that it is a mandatory requirement for all new publicans engaging with Punch to have completed the BII PEAT certification. Further to this, Punch has a 5-day Progress course for all new publicans to undergo, exemptions to this can be granted subject to the statutory exemption criteria contained within Regulation 9(3) being met.</i></p> <p><i>Sustainable Business Plan:</i></p> <p><i>All new agreements under the Code are required to have a business plan completed; business plans will only be accepted having been completed after a publican has had the opportunity to consider all of the required information detailed in Schedule 1 of the Code. The business plan is completed on a standard Punch template which ensures all requirements under Regulation 10 are complied with.</i></p> <p><i>Alongside the business plan, any new agreement requires evidence that the publican has sought independent professional advice as part of competing their business plan.</i></p> <p><i>The Required Information:</i></p> <p><i>A new agreement under the Code will not be allowed to complete unless the publican has been able to access all of the required information under Schedule 1 prior to completion of their business plan. Final checks are completed in all cases to ensure this.</i></p>	
Assignments	7
Forfeitures	16
• Of pre-Pubs Code tenancies	7
• Of tenancies granted since the Pubs Code came into force	9
<p><i>Length of tenure for forfeitures:</i></p> <ul style="list-style-type: none"> • <i>Less than 1 year - 2</i> • <i>between 1-2 years - 10</i> • <i>between 3-5 years - 1</i> • <i>6 years and older - 3</i> <p><i>Punch do not collate data on the reasons for forfeiture</i></p>	
Section 146 notices issued	0
<p><i>There were no Section 146 notices were served during the reporting period, circumstances are reviewed on a case by case basis ahead of any decision to serve such notices.</i></p>	

Legal Surrenders (where the tenant has surrendered their agreement and left the pub and not instances of 'surrender and regrant').	21
<i>Of the 21 surrenders during the reporting period there were 8 where the publican exercised their right to serve notice to surrender the agreement. The remaining 13 were as a result of a mutually agreed decisions to surrender the agreement.</i>	
Abandonments	6
Renewals	29
<i>Punch ensures any protected renewal receives the statutory information by ensuring details on how to access such information is contained within the renewal proposal. Further to this any additional considerations at the renewal for the publican (foreseeable changes etc) are again detailed within the proposal document.</i>	
<i>Where a publican's agreement is coming to an end a terminal schedule of dilapidations will be instructed and prepared by an independent third-party surveying firm. Should an agreement renewal be granted there will be an agreed schedule attached to the renewal lease with an agreed term (usually 6 months) for the publican to address their obligation.</i>	
Investment Exceptions agreed under Regulation 56	1

Part II: Code Rent Proposals & Rent Assessment Proposals

During the reporting period, numbers of:

Total number of Rent Proposals and Rent Assessment Proposals in connection with a contractual review.	43
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The Rent Assessment Proposal template used by Punch captures the requirements of Schedule 2 through the accompanying narrative attached to a rent assessment, this ensures a publican is fully informed as to how their rent has been assessed. This includes detailed justification, assumptions, considerations and where a publican can access industry reports for further information. The proposal also includes a breakdown of how any unsaleable liquid is accounted for as well as any allowance for sediment in the proportion of cask products assessed.

Total number of Rent Assessment Proposals requested by tenant	9
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reason of no rent review concluded in last 5 years	9
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reason of a significant increase in price	0
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reason of a trigger event	0
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Punch has a workflow system with all rent event due dates programmed into it, this generates a schedule of deadlines for service of periodic/contractual rent review proposals in accordance with the 6-month window required.

Within the Punch estate there are a number of agreements with a discretionary rent review which is only triggerable by the publican within the 6 months prior to the 5th anniversary of the agreement. Requests made under these agreements are included within the requests by reason of no rent review concluded within the last 5 years above.

Punch has a workflow system which will generate a schedule of deadlines for service of rent review proposals.

Total number of requests for Rent Assessment Proposals rejected	1
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1 request for a rent assessment proposal rejected due to it being less than 5 years since parties last concluded a rent review.

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	0
Section 25 Notices issued proposing a variation of the terms	2
Section 26 Notices opposed	0
Section 26 Notices unopposed	1
<p><i>During the reporting period Punch have not issued any s.25 notices opposing lease renewals or opposed any s.26 notices received. Punch review each lease expiry on a case by case basis in regard to service of s.25 notices or response to any s.26 notices received.</i></p> <p><i>1 x s.26 notice rejected during the reporting period due to being served incorrectly.</i></p>	
LTA court proceedings where the POB relied in whole or in part on an intention to take the pub back into occupation	1
<ul style="list-style-type: none"> Of which, the number of objections to a new tenancy that were upheld 	N/A
<ul style="list-style-type: none"> Of which, the number of objections to a new tenancy that were dismissed 	N/A
<p><i>The case referred to above relates to a s.25 notice opposing a lease renewal that had been issued prior to this reporting period. The matter was settled between parties and court proceedings withdrawn.</i></p> <p><i>In regard to any agreement expiry, Punch will review these on a case by case basis circa 15 months prior to expiry. This review will consider all options available to Punch as freehold (or long leasehold) owner which includes consideration for the future operating model. This review will consider the commercial decision regarding the operating potential for the property under Punch Retail Contracts. The proposed intention for the property will firstly be regionally agreed and then reviewed centrally for approval in principle. Following such approvals Punch will engage with our publicans to fully explain our intention prior to any relevant legal notices being served.</i></p>	

Part IV: Other contractual renewals (where applicable)	
<i>During the reporting period, numbers of: N/A – All information contained in the above</i>	
Tenants who exercised a contractual right to renew their tenancy	N/A
<ul style="list-style-type: none"> Of which, the number of these to which the POB consented 	N/A
<ul style="list-style-type: none"> Of which, the number of these that were opposed by the POB 	N/A
Total number of contractual renewals	N/A

Section 5: MRO

Part I: MRO Notices	
<i>During the reporting period, numbers of:</i>	
Total number of MRO Notices received and acknowledged	25
• Following receipt by a TPT of a Rent Assessment Proposal	25
• In relation to the renewal of a tenancy	0
• Requested in response to a significant increase in price	0
• Requested in response to a trigger event	0
N/A	
Total number of MRO Notices accepted	24
Total number of MRO Notices rejected	1
• Following receipt by a tenant of a Rent Assessment Proposal	1
• In relation to the renewal of a tenancy	0
• Requested in response to a significant increase in price	0
• Requested in response to a trigger event	0
<i>MRO notice received following receipt of a letter initiating the rent review process, at that stage a rent assessment proposal was yet to be served</i>	
Total number of MRO Notices not rejected and withdrawn by the tenant	1
<i>Parties agreed terms prior to the MRO proposal being served</i>	
Total number of MRO Proposals issued	25
<p><i>Two MRO proposals served in the reporting period relate to MRO requests received prior to the start of the reporting period.</i></p> <p><i>Punch operate with a workflow system that ensures the 28-day full response period is complied with and that issues reminders when the deadline is approaching. Whenever a MRO request is received the full response is considered on a case by case basis in regard to the terms and length of agreement to be proposed. Where the MRO request emanates from a mid-term rent review Punch may decide to issue a MRO term equivalent to the remaining term in order to reserve rights under the Landlord & Tenant Act 1954 that would be available for consideration upon the expiry date of the existing tied agreement.</i></p>	

Part II: MRO Negotiations

During the reporting period, numbers of:

MRO Negotiations undertaken with tenants	25
<i>Punch advocate meaningful negotiations on all of our MRO proposals on a case by case basis. Meaningful negotiations rely on engagement from all parties involved.</i> <i>4 MRO agreements completed in the reporting period, all 4 completed on the proposed terms.</i>	
Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement	N/A
MRO tenancies agreed	4
• Of which number of free of tie arrangements agreed by new agreement	4
• Of which number of new free of tie arrangements agreed by deed of variation	0
Total number of tied settlements connected with MRO negotiations	16
• Of which number of new tied arrangements agreed by new lease	3
• Of which number of other new tied arrangements agreed (rent or other terms)	11
• Of which number of tied tenant departures from the pub	2
• Other outcomes	0
• Ongoing – yet to be concluded	15

Part III: MRO Independent Assessment

During the reporting period, numbers of:

Total Independent Assessor appointments	3
• Of which number that were appointed jointly in agreement with the tenant	1
• Of which number that were appointed by the PCA	2
<i>Andrew Crease – 1 Appointment via the PCA</i> <i>Peter Taylor – 1 Appointment via the PCA</i>	
<ul style="list-style-type: none">• <i>Case 1 – Proposed Rent £74,000 / IA Award £49,500</i>• <i>Case 2 – Proposed Rent £52,000 / IA Award £38,300</i>• <i>Case 3 – Proposed Rent £65,000 / IA Award Rent £53,400</i>	
Independent Assessments challenged	0
Any second challenges to Independent Assessments	0
N/A	

Section 6: Other Code Reporting

Code Part 10 Provisions

For the reporting period, reports on compliance with:

Regulation 46 – Insurance provisions

Punch operate on a largely self-insured basis and renew our insurance arrangements annually on 30th September each year. Punch engage the services of Marsh Ltd as Broker and currently purchase the following policies:

- Property Damage / Business Interruption
- Terrorism
- Employers Liability
- Public Liability
- Motor Fleet
- Travel
- Engineering
- Crime
- Directors & Officers
- Pension Trustee Liability

The policies are all subject to their own individual terms and conditions.

Punch do not recommend any third party for insurance packages to our publicans and do not receive any commission from any such packages

During the reporting period 6 publicans successfully actioned a price match of their buildings insurance policy.

Regulation 47 – Gaming Machines

Number of new Pubs Code tied agreements in which:

The tenant has accepted a machine tie within the tied agreement itself	0
The tenant has accepted a machine tie in a side agreement	123
The tenant has sourced a free of tie machine agreement with a third party supplier	<i>Not collected</i>
The tenant has chosen not to have machines	<i>Not collected</i>

Regulation 48 – Requests for blank profit and loss templates

Punch are committed to providing the TPT with a blank template for completing a tied pub's profit and loss where any request is made in accordance with Regulation 48.

Regulation 49 – Sale of freehold or long leasehold (including numbers)

During the reporting period Punch have disposed of 53 properties, 2 of these had a TPT in occupation on a substantive agreement at the time of an event covered under Regulation 49(1) occurred. In all cases a respective letter in accordance with Regulation 49(2) had been issued.

Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)

In accordance with Regulation 50, Punch does not subject any TPT to any detriment on the grounds of exercising, or attempting to exercise, any of their rights under the Regulations.

Regulation 51 – Flow Monitoring Devices

In accordance with Regulation 51, Punch does not subject any TPT to any detriment, or impose any liabilities on the tenant, as a result of any reading taken from a flow monitoring device, without additional evidence in connection with the purchase and stock of alcohol at the tied pub.

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

Part I: Breaches of the Code identified by tied pub tenants

During the reporting period the Punch has received a total of 10 complaints by TPT's regarding alleged breaches of the Code. These have all manifested themselves through referrals placed with the PCA

- *9 of these relate to alleged breaches under Regulation 29 concerning the MRO full response, 1 relates to an alleged breach of Regulation 19*

In addition to the above, Punch has also received 46 executive complaints from TPT's (including former TPT's) during the reporting period which do not directly reference the Code but could be argued to be attributed to the core principle of fair and lawful dealing.

Part II: Steps taken in relation to Code complaints

Where such complaints are received internally, they will be processed via our internal Complaints Handling Process.

The full complaints process is outlined in the Punch Services Guide which is available to all Publicans on the website.

For escalation of complaints or complaints in relation to an alleged breach of the Pubs Code, Publicans can refer the matter to a member of the Management Board either:

- *Via email or,*
- *In writing to our Head Office*

Complaints are acknowledged and following investigation a full response is received within 10 working days.

During the reporting period, all the complaints regarding alleged breaches of the Code detailed in Part I above have manifested themselves via a referral to the PCA. These have then followed the formal process as set out by the PCA.

As of the end of the reporting period, Punch had resolved 9 cases through further meaningful negotiations and had 4 live cases progressing with the PCA.

Part III: Self-notification of breaches

No instances during the reporting period.

Part IV: Referrals for arbitration

During the reporting period, numbers of:

Total MRO cases referred to the PCA	10
Referrals of MRO terms on grounds that they are not MRO-compliant	9
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	1

At the end of the reporting period 4 of the 10 referrals detailed above remained live in progress. The remaining 6 were resolved between parties and the referral withdrawn.

Of the 9 referrals received regarding proposed MRO terms:

- 5 disputed the vehicle for MRO delivery
- 5 disputed the rent review provision
- 5 disputed the associated dilapidations schedule
- 5 disputed insurance provisions
- 4 disputed the indexation provisions
- 4 disputed the deposit requirements

Part V: Other complaints made by tenants

As above, 46 complaints were received during the reporting period that were not directly related to specific provisions under the Code. Of which:

Ex tenant - 23

Current Publican - 23

These complaints covered alleged breaches of our Services Guide which included – Surrender and Settlement of account, Repairing Obligations, The Role of the PDM, Assignment of Lease, Financial Support, Punch Supply Services or Billing Services.

Section 8: Corporate Compliance Structures

Part I: Compliance Officer

Punch hereby declares that it has met in full its duty under Regulation 42 to appoint and empower a Compliance Officer and this individual has full access to training records for all employees. Further to this, the Compliance Officer's contact details are readily available on the corporate website should any TPT require.

An extract of the training log detailing training hours completed is below, this is across 81 employees.

Category	Sum of Learning Hours
Bookshelf	803
e-Learning	500
Event	1750
Training Record	233
Grand Total	3286

Punch will liaise directly with the PCA regarding training process and commitments as necessary.

Part II: Business Development Managers (BDMs) - Training

In accordance with Regulation 41(5) Punch publishes a document specifying its commitment towards the continuous professional development and improvement of its BDMs. The document also details how Punch propose to fulfil that commitment, referring where appropriate to relevant qualifications and training. A copy of this document is readily available via the corporate website

Punch can confirm that all BDM's already in post at the commencement of the Regulations, or joining since, have received a copy of the Regulations prior to engaging with TPT's. Further to this a copy of the Regulations is readily available on the internal systems as well as via the corporate website.

All BDM's within Punch receive annual Pubs Code refresher training and updates on the developments within the Code. Additional training on any guidance, advice and/or arbitrations will take place as necessary in accordance with the information being provided. Code updates in the reporting period include the following:

- *April 2018 – Revised Publican Information brochure*
- *April 2018 – July 2018 – Annual Pubs Code refresher training and test*

The Code is well engrained into the Punch ways of working and so elements of the Code will manifest themselves in wider training materials rather than having specific training materials regarding the Code itself.

Any individuals within the business who are responsible for conducting or signing off rent assessments are required to be fully accredited members of the RICS.

Training methods include the following forms:

- *Online reading materials*

- CPL E-Learning Modules
- Training days & events
- Business Briefings & Updates

These training methods can be delivered and/or created by both internal and external sources depending on the topics being covered.

Punch will liaise directly with the PCA regarding training materials as necessary.

Part III: Business Development Managers - Conduct

Punch 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 through ensuring that the principles of the Code are embedded in all ways of working. The commitments we make on how we will work with TPT's is outlined in our Services Guide which is available on the Corporate website.

Punch has a company policy for completing visit records whenever any employee classified as a BDM engages with a TPT concerning any of the following topics:

- *rent proposals*
- *rent assessments / assessments of money payable in lieu*
- *repairs to the pub*
- *matters relating to the tenant's current or future business plans*

Punch actively look to ensure our TPT's are aware of their right to receive copies of such notes and the timescales in which to expect these. We are yet to receive a complaint regarding non-receipt. Periodic internal compliance reporting takes place in regard to time taken for completing visit records in accordance with company policy with any breaches reported to the HR function.

The current system used by Punch automatically sends a copy of the visit record to the publican either by email or hard copy post, the Punch policy is for all Visit records to be completed within 24 hours of the visit taking place, ensuring both that the Pubs Code deadline is easily achieved but also the information detailed remains fresh and accurate to recall.

Alongside the copy of the visit record, a cover letter is included informing the TPT of their right to respond within 7 days regarding any disagreement concerning the visit record provided.

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

N/A

The above information is not collated; however, we are not aware of any instances of visit records not being received and every visit record provided to our publicans includes a cover letter informing them of their right to challenge content within 7 days of receipt. Any challenges concerning content are dealt with on a case by case basis and resolved between the publican and BDM concerned by issuing amended meeting notes.

