



GREENE KING
BURY ST EDMUNDS

Greene King Annual Compliance Report
Pubs Code etc. Regulations 2016 (England and Wales)

Reporting period 1 April 2019 to 31 March 2020

Section 1: Audit Committee Statement on Compliance

This Annual Compliance Report has been prepared in accordance with Regulation 43 of the Pubs Code etc. Regulations 2016 (the Code) and covers the period of 1 April 2019 to 31 March 2020.

The Greene King group (Greene King) was purchased by CK Asset Holdings Limited on 31 October 2019. To confirm the Greene King group comprising of; Greene King Brewing and Retailing Limited; Greene King Retailing Limited; and, Spirit Pub Company (Leased) Limited, remains the pub-owning business in accordance with Section 69 of the Small Business, Enterprise and Employment Act 2015.

Greene King does not have an Audit Committee therefore this report has been reviewed and approved by Nick Mackenzie, the Chief Executive Officer (CEO). As part of this approval, and as required by Regulation 43(7), other reports have been provided to the CEO for consideration and understanding of Greene King's compliance with the Code.

It is confirmed that a copy of this report will be published on Greene King's corporate website, www.greeneking.co.uk, as required under Regulation 43(9). In addition, a further copy will be published on www.greenekingpubs.co.uk and the Tied Pub Tenant online support portal, www.PubPartners.net.

Greene King Code Compliance Officer:

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Section 2: Tied Estate Summary

<i>As of 31 March 2019, total number of Pubs Code Agreements</i>	883
Total acquisitions since 31 March 2019	4
All 4 acquisitions were internal transfers from Greene King's managed pubs division to its tenanted and leased division.	
Additional tied pubs (that were already owned) since 31 March 2019	1
Total disposals since 31 March 2019	56
• Of which were to another Pub Owning- Business (POB)	0
• Of which were sold to a person who is not a landlord of 500 or more tied pubs	40
• Of which were permanently closed or directly disposed for other use	16
Pubs no longer tied (but still owned) since 31 March 2019	55
This consists of 36 free-of-tie pubs, 6 fully closed pubs, 9 temporarily closed pubs and 4 management contract pubs.	
Tied pubs taken into management within the Pub-Owning Business	4
<p>Greene King has complied with the requirements of Regulation 49. Any affected tied tenants were provided with the required information where a pub is to be sold.</p> <p>Where a pub is to be sold, the Business Development Manager holds an initial face-to-face meeting with the tenant affected by the sale of a pub, which is followed up with discussion notes. Once the sale of the pub has exchanged, a letter is sent to the tenant from Greene King's solicitors confirming details of the purchaser.</p> <p>Where a pub is sold with a tenant in situ, Greene King confirms that it advises the tenant of the Extended Protection under Part 11 of the Pubs Code. In addition, Greene King discloses details of those pubs with Extended Protection to the Pubs Code Adjudicator on a quarterly basis.</p> <p>To confirm, for the reporting period there were no pubs sold with Extended Protection.</p>	
<i>As of 31 March 2020, total number of Pubs Code Agreements</i>	828
Of the total Pubs Code Agreements, how many are,	
• Agreements contracted into the Landlord and Tenant Act 1954	367
• Agreements not contracted into the Landlord and Tenant Act 1954	361
• Short Agreements under Regulation 14	82
• Tenancy at Wills (TAW's) in occupation for a period of 12 months or more	18

• Pub Franchise Agreements under Regulation 55	0
• The subject of a qualifying Investment under Regulation 56	40

Types of Agreements

The principal Agreement types currently granted by Greene King include the following:

Standard Tenancy (331) – A five year fixed-term tenancy which is contracted out of the Landlord and Tenant Act (LTA) with tie variations. There is no periodic rent review, although the rent is subject to the Retail Prices Index (RPI) on an annual basis. The property repair obligations are limited to non-structural matters on a ‘keep and maintain’ basis. The agreement can be ended at any time through a six-month rolling break provision and payment of a break sum. The deposit is 25% of the annual head rent.

Standard Lease (44) – A 10 to 25-year lease protected by the LTA with five yearly open-market rent reviews and tie variations. This is a fully repairing and insuring lease with ‘put and keep’ provisions. The agreement can be assigned after two years. The deposit is 25% of the annual head rent.

Turnover Tenancy (27) – A five year fixed-term tenancy agreement which follows the principal terms of the Standard Tenancy with tie variations. The rent is made up of a fixed and variable element, which is calculated as a percentage of the weekly net turnover sales, and is known as the Turnover Royalty.

Turnover Lease (19) – A fully repairing and insuring Turnover Lease following the principal terms of the Standard Lease with tie variations. The fixed and variable rent element is calculated in the same way as the Turnover Tenancy.

Pub Ready Contract (4) – A five year fixed-term management contract which includes a guaranteed Management Fee each year, a percentage of weekly sales known as a Variable Management Fee and a percentage of the profit for the business, which is paid every three months. An annual bonus is also available for meeting Compliance and Standards audits. All products supplied and owned by Greene King. This contract is not considered within the jurisdiction of the Pubs Code and is excluded from the total number of Pubs Code Agreements.

Joint Venture Agreement (1) – A bespoke partnership agreement between a tenant and Greene King, underpinned by a 10 year lease which is contracted out of the LTA.

Foundation Agreement (59) – A one year fixed-term agreement contracted out of the LTA with tie variations.

Tenancy at Will (41)

Legacy Agreements - It is noted that there are legacy agreements within the Greene King estate some of which may be renewed in accordance with the provisions of the agreement, yet do not form part of the suite of Agreements currently available.

Legacy Tenancy (107)

Legacy Lease (199)

Section 3: Code Compliance

Part I: Investigations
N/A

Part II: Enforcement
N/A

Part III: Guidance and Advice			
<p>Greene King is committed to ensuring it complies with the Code and aims to work transparently and in partnership with its tied pub tenants.</p> <p>Greene King has taken the following steps in response to the following statutory guidance and advice:</p>			
PCA Guidance/ Advice	Date Published	Summary	Greene King Action
Guidance: Accounting in Pubs Code Schedule 2 forecast profit and statements as part of a rent proposal under Part 3 of the Code or a rent assessment proposal under Part 4 of the Code for: a) the volume of alcohol on which duty has been paid; and b) the volume of draught product waste which is unsaleable. Including the provision of associated training and support.	10 April 2019 Effective from 1 July 2019	The treatment of sediment and operational waste in a Rent Assessment Proposal.	Greene King updated its rental valuation tool to reflect the requirements around sediment and operational waste. The shadow profit and loss report, provided as part of the Rent Assessment Proposal, was updated to include these provisions. Price lists were updated to reflect the requirements. Business Development Managers were briefed on the advice and the changes Greene King were required to adopt.
Advice Note: Taking the MRO option - Tied rent considerations (Regulation 28).	7 June 2019	Tied rent considerations during the MRO procedure.	All Business Development Managers were briefed on the Advice Note. When a valid MRO notice is received, notification is sent to the Pub Partners finance team to ensure no changes to the tied rent are made until the end of the MRO procedure. To confirm, Greene King does

			not seek to recover any additional tied rent that may have become payable during the MRO procedure.
Regulatory Compliance Handbook – Chapter 4, MRO Proposals	20 November 2019	The minimum steps the PCA will expect a POB to take in satisfying itself that its proposed MRO terms meet the Pubs Code tests on commonality and reasonableness and the introduction of a MRO Compliance Record and Declaration.	All Business Development Managers were briefed on the new handbook chapter. The Greene King MRO process was updated to include for the MRO Compliance and Declaration record, which is completed by an Estates Manager and signed by the Code Compliance Officer and included with the MRO proposal sent to the tied pub tenant.

Other PCA publications

The PCA produced other publications during the reporting period designed for use by the tied pub tenant, including the new/ updated factsheets under the series titled ‘What Tied Pub Tenants Need to Know’. Greene King reviewed these documents and briefed its Business Development Managers accordingly.

While Greene King has provided general Pubs Code information to its tied pub tenants on a periodic basis through its Insight magazine and tied pub tenant weekly email, it committed to the PCA in January 2020 that it would signpost its tied pub tenants to any new publications made by the PCA, and so far this has included the following:

13 January 2020	Notification of the new chapter in the Regulatory Compliance Handbook – Chapter 4, MRO proposals, details of updated factsheets and the PCA’s Bulletin published in November 2019 were included in the tied pub tenant weekly email.
March 2020	The above details were also referenced in the March edition of the Insight magazine.
9 March 2020	An article directing tied pub tenants to the video produced by the PCA on Code rights and MRO was included in the tied pub tenant weekly email. Details were also placed on the tied pub tenant online support portal, www.pubpartners.net .

Covid-19 Emergency Period Declaration

Ahead of the Government announcement on 20 March 2020 to close all hospitality venues, including pubs, Greene King engaged with the office of the PCA to discuss how it may not be able to meet the Pubs Code obligations because of the restrictions becoming apparent. CCOs and the PCA worked to produce measures that would ‘pause and protect’ all tied pub tenants’ rights. This was documented by way of a Declaration that Greene King signed. Greene King shared details of the Declaration by email with its tied pub tenants on 03 April 2020.

Part IV: Unfair Business Practices

N/A

Section 4: Tied Agreements

Part I: Code Tied Agreements

During the reporting period, numbers of:

New Agreements	286
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Greene King has a well-established recruitment process, which supports the Pubs Code pre-entry requirements, and is managed by a tenanted and leased recruitment team. A process management system is used, Connect, which tracks the process, records key milestones and provides an audit trail of actions taken.

Pubs Entry Training (Regulation 9)

Greene King recognises the British Institute of Inn-keeping Pre-Entry Awareness Training (PEAT) as appropriate pre-entry training, although Greene King also conducts its own award-winning induction training. Where a tied pub tenant is changing agreement, the completion of PEAT is strongly recommended as a refresher. Where an applicant or tenant meets one of the pre-entry training conditions, an exemption agreement is produced as part of the agreement documentation pack.

A Sustainable Business Plan (Regulation 10)

The applicant is required to submit their sustainable business plan, along with evidence of independent professional advice, to the recruitment team before any further meetings are arranged.

The recruitment processes are adapted for lease assignments and short agreements, to ensure compliance with the relevant regulations relating to these specific agreement transactions.

The Required Information (Regulation 11)

Where an applicant has shown interest in a specific pub, the Schedule 1 information is sent to them by the recruitment team via email, with a covering letter setting out advice to inspect the premises, complete pre-entry training, obtain independent professional advice and prepare a sustainable business plan. In addition, it also includes other Greene King resources such as the Greene King Running a Pub Information Guide, Guide to Charges etc.

Assignments	15
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Forfeitures	9
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• Of pre-Pubs Code tenancies	4
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• Of tenancies granted since the Pubs Code came into force	5
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At Greene King, forfeiture is used as a last resort, and will follow various interventions and attempts to reach amicable resolutions.

<p>All forfeiture proceedings were initiated as a result of debt owed to Greene King. However, none of the proceedings has yet reached the eviction stage.</p> <p>Of the nine forfeitures detailed, four tenants remain in situ as payment solutions were reached, two tenants left through a managed exit, two tenants abandoned the pub and one where the forfeiture proceedings are currently paused under the Coronavirus Act 2020 moratorium, which remains in place until 30 September 2020.</p> <p>The length of agreements included:</p> <p>6 agreements - 3 to 5 years</p> <p>3 agreements - 6 years and older</p>	
Section 146 notices issued	0
<p>For the reporting period, Greene King has not issued any Section 146 notices.</p> <p>Section 146 notices are used as the remedy for a 'non rent' breach relating to a Greene King agreement. Greene King's approach is to seek amicable solutions wherever possible without the need for legal interventions. However, this is not always possible and therefore Greene King will rely on Section 146 notices to place focus on the breach. If the breach is remedied, the Section 146 will be withdrawn.</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>).	11
<p>Of the eleven Legal Surrenders, three were undertaken on agreed terms as the tenant wanted to leave the pub, three were facilitated due to the financial position of the tenant, three of the surrenders were undertaken due to the disposal of the pub where terms were agreed to enable vacant possession of the pub, one where Greene King took back the site for investment, and one where the tenant passed away.</p>	
Abandonments	4
Renewals	17
<p>Of the 17 renewals, eight were Landlord & Tenant Act 1954 renewals, and nine were where the tenant exercised their contractual right to renew.</p> <p>Greene King's management information system, Connect, is used to support the tracking of the renewal process and key dates. Greene King's Estate Managers are responsible for managing the agreement renewal deadlines and are required to complete a renewal record in Connect. The provision of Section 25 notices and renewal documentation is sent via Greene King's solicitors, TLT LLP. On confirmation that these have been sent, Greene King will send an email to the tenant containing the required statutory information.</p> <p>In the Greene King estate, there are some legacy agreements that contain a contractual right to request a new agreement when the agreement is coming to an end, known as a contractual right to renew. This right is exercised on the service of notice from the tenant. Tenants on these types of agreements are treated in a similar way as those going through a 1954 Act renewal. The tenant will receive notification from Greene King around 12 months before the end of the agreement, explaining what the tenant needs to do should they wish to enter into a new agreement. When a tenant notice is received all statutory information is supplied to enable the tenant to prepare a sustainable business plan.</p> <p>Regular reporting is produced to monitor compliance with the statutory deadlines.</p>	

Terminal Dilapidations on Renewal

A dilapidations inspection is undertaken by an externally appointed chartered surveyor instructed to prepare a terminal schedule of dilapidations (SOD).

For tenants on tenancy agreements, a SOD is prepared and provided to them no later than six months before the end of the agreement.

For tenants on leases, the time frame for providing the SOD has been extended to around 12 – 24 months before the end of the agreement or service of a Section 25 notice to take account of the greater repairing obligations in a Lease. To support the management of property work/ repairs for those tenants on leases, Greene King has introduced an annual notification to remind them of their repairing obligations. This is further supplemented by a property inspection conducted by one of Greene King’s in-house property surveyors around every 12 – 18 months, which is designed to assist the tenant in understanding their property obligations and what action they may need to consider taking in order to comply with their obligations. In addition, an interim SOD will be prepared and issued every 5 years.

Liability for dilapidations will form part of the agreement renewal negotiation. Works are prioritised and generally, where they are not of an urgent or statutory nature, agreement is reached for the tenant to roll the liability forward into their new agreement and complete the work within a pre-agreed timetable. This timetable will depend on the nature of the work required and time of year.

As part of the renewal process, Greene King requires the tenant to produce all valid statutory certifications, in accordance with their obligations under their agreement. This is checked by external consultants instructed by Greene King. Any remedial works identified must be completed within a pre-agreed timetable.

Where a tenant decides not to renew their agreement and leave the pub, Greene King will give them the option either to complete the works listed in the SOD or negotiate a financial settlement. Most dilapidations claims are settled amicably. In complex cases, the external surveyor who prepared the SOD will be instructed to act on Greene King’s behalf. This is unusual within the Greene King estate.

As with all aspects of agreement renewal negotiations Greene King tenants are strongly advised to take independent professional advice from a suitably qualified advisor.

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>).	19
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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	33
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Greene King uses a bespoke application called the Rent Centre to produce its Rent Assessment Proposals, which includes a Rent Assessment Proposal Overview form and a Shadow Profit and Loss Report.

Email is the primary method of communication and therefore Greene King will email the Rent Assessment Proposal along with other information specified in Schedule 2, as well as any supporting documentation such as the PCA’s own collateral and references to

<p>other PCA resources. Emails are marked with the comment, 'This is an important email please read.'</p> <p>In addition a hard copy of the Rent Assessment Proposal is sent via Royal Mail Recorded Delivery and marked 'Important Documents Enclosed'. Once these have been sent, a Greene King Estates Manager will follow up with the tenant to arrange a meeting to discuss the rent assessment proposal.</p>	
Total number of Rent Assessment Proposals requested by tenant	6
RAPs requested by reason of no rent review concluded in last 5 years	6
RAPs requested by reason of a significant increase in price	0
RAPs requested by reason of a trigger event	0
<p>Where a Rent Assessment Proposal request is made by a tenant, Greene King will prepare it and send it in the same way as a contractual rent review.</p>	
<p>Greene King's management information system, Connect, is used to support the tracking of the rent review process and key dates. Greene King's Estate Managers are responsible for managing the rent review deadlines. A rent review record is created in Connect, and key information is recorded including the pub inspection date, the date the rent assessment proposal was sent and the date the rent review was concluded. Regular reporting is produced to monitor compliance with the statutory deadlines.</p>	
Total number of requests for Rent Assessment Proposals rejected	0
<p>Greene King did not reject any Rent Assessment Proposal requests during the reporting period.</p>	

<p>Part III: Renewals under the Landlord and Tenant Act 1954 (LTA)</p> <p><i>During the reporting period numbers of:</i></p>	
Section 25 Notices issued opposing a new tenancy	1
Section 25 Notices issued proposing a variation of the terms	9
Section 26 Notices opposed	0
Section 26 Notices unopposed	0
<p>Where Greene King issued a Section 25 notice to oppose a new tenancy, we relied upon ground g of the Landlord & Tenant Act 1954, which in summary was to take back the pub for owner occupation.</p> <p>All Section 25 notices issued proposing new terms were uncontested.</p>	
LTA court proceedings where the POB relied in whole or in part on an intention to take the pub back into occupation	0
<ul style="list-style-type: none"> Of which, the number of objections to a new tenancy that were upheld 	0
<ul style="list-style-type: none"> Of which, the number of objections to a new tenancy that were dismissed 	0

In certain circumstances, decisions will be made to take back pubs from its Tenanted and Leased division for its own use in its Managed Pubs division and it will transfer pubs from its Managed division to its Tenanted and Leased division as demonstrated in Section 2 of this report.

These decisions are not taken lightly and will involve the following representatives; Property personnel, Managed Pub division personnel, Tenanted and Leased division personnel, and Finance personnel. Our Property team owns and governs the process. Transfer approval packs are produced which contain all relevant and appropriate justification to support Greene King's decision. The final approval is provided by the Chief Executive Officer and the Chief Financial Officer.

Part IV: Other contractual renewals (where applicable)

During the reporting period, numbers of:

Tenants who exercised a contractual right to renew their tenancy	9
• Of which, the number of these to which the POB consented	9
• Of which, the number of these that were opposed by the POB	0
Total number of contractual renewals	9

Section 5: MRO

Part I: MRO Notices	
<i>During the reporting period, numbers of:</i>	
Total number of MRO Notices received and acknowledged	19
• Following receipt by a TPT of a Rent Assessment Proposal	13
• In relation to the renewal of a tenancy	4
• Requested in response to a significant increase in price	0
• Requested in response to a trigger event	0
• Non-MRO event	2
Total number of MRO Notices accepted	16
Total number of MRO Notices rejected	3
• 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
• Non-MRO event	2
<p>The 3 MRO Notices were rejected as no MRO event had occurred, as summarised:</p> <ol style="list-style-type: none"> 1. The tenant misunderstood the initial agreement expiry letter to be the MRO event; 2. The tenant requested MRO ahead of requesting a rent assessment proposal; and, 3. The tenant requested MRO following receipt of a Rent Assessment Proposal. <p>However a Qualifying Investment Exception was in place.</p>	
Total number of MRO Notices not rejected and withdrawn by the tenant	0
Total number of MRO Proposals issued	16
<p>Following the service of a valid MRO Notice, Greene King's Estates Managers are responsible for managing the MRO procedure and key deadlines. They are supported by the Code Compliance Manager and CCO, who have regular contact with the Estates Managers to ensure deadlines are being met. A MRO Compliance and Declaration record, introduced in November 2019, is completed by the Estates Manager and signed off by the CCO. This document is included with the MRO proposal so that the tied pub tenant can see the considerations Greene King has made in the preparation of the MRO proposal.</p> <p>Monthly compliance reporting is produced to monitor compliance with the statutory deadlines.</p>	

The length of an MRO-compliant agreement offered is considered on a pub-by-pub basis and will be dependent on the MRO event relied upon, such as a 1954 Act renewal following a Section 25 notice, or a rent assessment proposal for a contractual rent review.

Where the MRO proposal follows the issue of a Section 25 notice, the length of the MRO-compliant agreement will usually be the same term specified in the Section 25 notice. For a rent review it will usually be for the remainder of the contractual term of the tied agreement in accordance with Regulation 30(2).

Part II: MRO Negotiations

During the reporting period numbers of

MRO Negotiations undertaken with tenants	13
The terms and conditions of the MRO-compliant agreements Greene King proposed remained the same.	
Times that each of the regularly challenged terms above has ultimately appeared in a completed MRO agreement (please list and enumerate)	N/A
MRO tenancies agreed	3
• Of which number of free of tie arrangements agreed by new agreement	3
• Of which number of new free of tie arrangements agreed by deed of variation	0
Total number of tied settlements connected with MRO negotiations	15
• Of which number of new tied arrangements agreed by new lease	7
• Of which number of other new tied arrangements agreed (rent or other terms)	7
• Of which number of tied tenant departures from the pub	1
• Other outcomes	0
• Ongoing – yet to be concluded	5
Of the five MRO negotiations yet to be concluded all have been referred to the PCA, three of which are self-referrals made by Greene King in reference to the Covid-19 Declaration and Emergency Period measures.	

Part III: MRO Independent Assessment	
<i>During the reporting period, numbers of:</i>	
Total Independent Assessor appointments	1
• Of which number that were appointed jointly in agreement with the tenant	1
• Of which number that were appointed by the PCA	0
The Independent Assessor jointly appointed during the reporting period included: <ul style="list-style-type: none"> • Andrew Crease - 1 appointment The Independent Assessment did not reach a determination as the request was withdrawn due to the conclusion of a new tied agreement negotiation.	
Independent Assessments challenged	0
Any second challenges to Independent Assessments	0

Section 6: Other Code Reporting

Code Part 10 Provisions	
<i>For the reporting period, reports on compliance with:</i>	
Regulation 46 – Insurance provisions	
<p>Greene King purchases a group block-policy that covers all its assets, its own fixtures and fittings, its loss of rent, its loss of profit and any other loss of income. The insurance broker used by Greene King is Willis Towers Watson and the insurance cover is provided by Aviva Insurance Ltd. The insurance amount allocated to an individual tenanted and leased property is calculated by property and recharged to the tenant. The tenant excess on any claim is £1,000. Greene King does not receive any commission or rebate in connection with the group block-policy, and the renewal process is completed in accordance with Regulation 46.</p> <p>Greene King provides its tenants with a price-match policy, details of which are included in the Guide to Insurance and Running a Pub Information Guide. These guides are provided to new and existing tenants as part of the Schedule 1 information, and they are also available to download by existing tenants from the online portal www.PubPartners.net.</p> <p>In the reporting period, 11 pubs requested information about the Greene King price-match policy. Of the 11 pubs, three pubs proceeded with a price-match and all were successfully price-matched.</p> <p>Greene King tenants are advised to obtain their own insurance to cover items such as loss of income through business interruption, their own fixtures and fittings and contents, stock, employer’s liability, public and products liability, money and goods in transit, money held in gaming machines etc. They are able to purchase this from wherever they choose.</p>	
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	6
The tenant has accepted a machine tie in a side agreement	40
<p>Greene King has issued 40 machine supply agreements alongside a tied agreement. Those where a machine tie is within the tied agreement have been due to the terms and conditions of an agreement renewal.</p> <p>Where a tenant chooses to source machines from a third party, they are under no obligation to notify Greene King and therefore the information requested below is not known.</p>	
The tenant has sourced a free of tie machine agreement with a third-party supplier	unknown
The tenant has chosen not to have machines	unknown

Regulation 48 – Requests for blank profit and loss templates
Greene King provides blank profit and loss templates as part of the Schedule 1 information supplied to new and existing tenants. These templates are also available online under the business planning section of www.greenekingpubs.co.uk .
Regulation 49 – Sale of freehold or long leasehold (including numbers)
Greene King has complied with the requirements of Regulation 49. Any affected tied tenants were provided with the required information. The Business Development Manager will hold an initial face-to-face meeting with the tenant to advise on the position, which is followed up with discussion notes. Once the sale of the pub has exchanged, a letter is sent to the tenant from Greene King’s solicitors confirming details of the purchaser.
Regulation 50 – No tenant detriment from exercising Code rights (including action in response to any finding of detriment)
Greene King does not subject its tied tenants to any detriment on the grounds they have exercised, or attempted to exercise, any right under the Regulations.
Regulation 51 – Flow Monitoring Devices
Greene King does not subject its tied tenants to any detriment, or impose any liabilities on them 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

In the reporting period, Greene King received two Code-related complaints.

Complaint 1 – A complaint was made in reference to Schedule 2 information and the Beer Waste and Duty Guidance published by the PCA, effective from July 2019.

Complaint 2 – A complaint was made in reference to regulation 41(1)(c) and 41(6)(b) where the tenant representative complained about the rental valuation principles applied by Greene King’s externally appointed valuer for the proposed MRO rent.

Part II: Steps taken in relation to Code breaches

Greene King has an established complaints procedure documented in its Running a Pub Information Guide (section 10), which is also published on the tied tenant online portal, www.PubPartners.net. The complaints procedure was followed when handling the Code-related complaints as reported.

Complaint 1 – The tenant was not satisfied with the response made by Greene King and therefore made a referral to the PCA for arbitration. The PCA has appointed an alternative arbitrator and the parties are awaiting his award.

Complaint 2 – The complaint was not upheld by Greene King. The remedy to deal with the rent issue was through the Independent Assessment process which was undertaken. The tenants went on to accept the Independent Assessor’s award and entered into an MRO Agreement. No referral was made to the PCA.

Part III: Self-notification of breaches

None

Part IV: Referrals for arbitration

During the reporting period, numbers of:

Total MRO cases referred to the PCA	3
Referrals of MRO terms on grounds that they are not MRO-compliant	2
Referrals of void or unenforceable terms under Regulation 57(2)	0
Referrals of all other non-MRO Code matters	1

Referral 1 (non-MRO related) – As noted in Part I and II of this section, parties are awaiting the arbitrator’s award.

Referral 2 and 3 (MRO related) – Both matters are ‘stayed’, although it is likely that the referrals will be withdrawn following tied negotiation resolutions.

Part V: Other complaints made by tenants

Greene King handled nine complaints not considered related to the Pubs Code. These were handled in accordance with the established complaint procedure documented in the Greene King Running a Pub Information Guide (section 10).

The nature of the complaints were varied and included matters such as disputed invoices, beer supply, property repairs, chiller fault and process queries. The average time taken to resolve the complaints was 22 calendar days.

Section 8: Corporate Compliance Structures

Part I: Compliance Officer

Greene King's Code Compliance Officer (Regulation 42)

Greene King confirms that it has appointed and empowered a Code Compliance Officer (CCO) as required under Regulation 42, who is reasonably available to tied pub tenants and their advisors. It is noted that the CCO oversees the tied tenant complaint procedure. The governance structure associated to Greene King's Code compliance can be seen in Annexure One of this report.

Pubs Code Refresher Training

The CCO maintains written records of training through the Greene King leased and tenanted training and development team. Greene King's Pubs Code refresher training records are attached to this report in Annexure Two.

It is noted that the rent assessment refresher training was delayed during this reporting period. The reason for this was due to a delay in the development of our new online training module. It was hoped that this would be delivered in March 2020, however, with the events of the Covid-19 crisis, this delayed the project even further. Our BDMs were placed on furlough during the Covid-19 crisis, which also impacted the ability for rent assessment refresher training to be undertaken. Prior to pubs re-opening on 4 July 2020, a Microsoft Teams Meeting rent assessment briefing session was undertaken with all BDMs. The new online training module will be completed this year in readiness for the refresher training to be undertaken early in 2021, prior to the end of the next reporting period.

Pubs Code Communications

The CCO maintains a summary of Code communications undertaken with Greene King's tied pub tenants and BDMs. Details of this summary are attached to this report in Annexure Three. This excludes the daily contact the CCO had with Business Development Managers and tenants in the ordinary course of day-to-day business.

Part II: Business Development Managers (BDMs) - Training

Greene King confirms that it has published its commitment to continuous professional development and improvement of its Business Development Managers (BDMs) through its Running a Pub Information Guide (section 7.1 and 7.2).

Greene King is committed to ensuring all its BDMs, who have contact with tenants, are properly trained. All BDMs are trained on the Regulations and receive annual refresher training, which is delivered through online training modules. This is further supplemented by the CCO attending BDM Regional and Operational meetings to update on the latest information relating to the Pubs Code and enhancements to Greene King's own processes and procedures to strengthen compliance, along with Bulletins offering advice and reminders on processes and procedures, which are circulated on email. The Regulations, Code Bulletins and other Greene King resources are made available to the BDM on Greene King's own internal intranet portal, The Vault. A summary of the communication schedule can be seen in Annexure Three of this report.

All new BDMs complete a thorough four-week induction programme covering essential business-to-business training around the traditional landlord and tenant relationship, fair Rent setting, the key areas of Agreement compliance and covering business to consumer areas such as sales development and the customer journey.

The ongoing training and development of BDMs is tailored to meet their specific needs and ranges from buddying with experienced BDMs to formal training courses delivered

through Greene King's own Learning and Development Programme. This is further supplemented by workshops held in Regional and Operational meetings on different topics, where required.

We also support our BDMs with academic qualifications. Our BDMs have the opportunity to take part in many Greene King programmes leading to qualifications at degree and post-graduate levels. This year has seen three BDMs participate in the Postgraduate Diploma in Hospitality Business Management (also known as multi-unit leadership), operated by Birmingham City University Business School, and we currently have four BDMs completing an MBA course through Birmingham City University.

We are committed to the continuous professional development of our BDMs. We continue to review their training and development as part of their performance. All our training and development is tailored to meet the specific needs of our employees, depending upon their level of expertise, experience and stage in their career.

Greene King confirms that all BDMs in post received a copy of The Pubs Code etc Regulations 2016. New BDMs joining Greene King receive a copy of the Pubs Code as part of their induction training.

Annexure Three contains a Code communications schedule which outlines BDM communications in relation to Code updates and newly issued guidance and advice from the PCA.

Part III: Business Development Managers - Conduct

Greene King is committed to ensuring its BDMs act in a manner that is consistent with the core Pubs Code principle of fair and lawful dealing and is at the core of how Greene King does business with its tenants. Any misconduct is subject to Greene King's disciplinary policy.

Greene King BDMs record their discussion notes through an online application called the Pub Communications App. This application is linked to Greene King's process management system, Connect. The BDM has the ability to input notes which, when submitted, are then automatically emailed through the system to the tied pub tenant in a pre-formatted form. The email and pre-formatted form includes a standard message about responding within seven days if they disagree with any aspect of the discussion notes.

Periodic sample checks of the discussion notes are made by the BDM line managers and CCO to review quality and content.

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

9

Greene King experienced nine instances where a tenant challenged the content of our discussion records. Eight of the challenges were upheld and related mainly to missing points discussed. One of the challenges was not upheld. The reason for this was that the tenant was not satisfied with the outcome of a licensing review and the support Greene King provided. This was not considered as a challenge to the discussion record.

**Submitted by Julie Jolly
Code Compliance Officer for Greene King
in accordance with Regulation 43 of the Pubs Code etc. Regulations 2016**

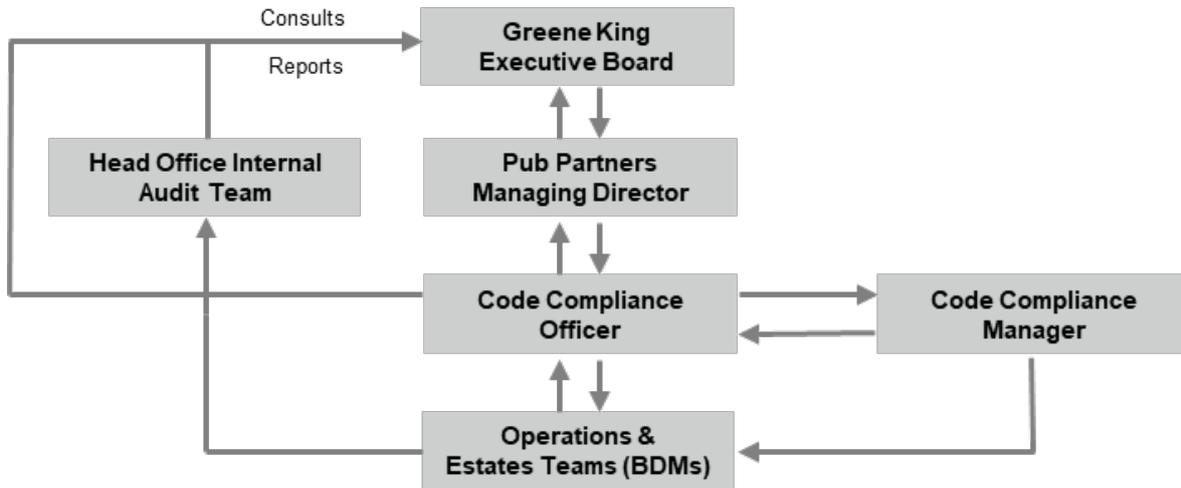
PROFORMA FOR SUBMISSION OF 2019/2020 PUBS CODE COMPLIANCE REPORTS

Signed

A handwritten signature in black ink that reads "Julie Jolly". The signature is written in a cursive style with a horizontal line underneath the name.

Date 13 July 2020

Annexure One – Pubs Code Compliance Governance Structure



Annexure Two – Pubs Code Refresher Training

Annual Pubs Code Refresher Training Business Development Managers	
Participant	Date Completed
Participant 1	07/06/2019
Participant 2	19/07/2019
Participant 3	19/07/2019
Participant 4	20/07/2019
Participant 5	22/07/2019
Participant 6	23/07/2019
Participant 7	23/07/2019
Participant 8	23/07/2019
Participant 9	23/07/2019
Participant 10	23/07/2019
Participant 11	23/07/2019
Participant 12	23/07/2019
Participant 13	25/07/2019
Participant 14	25/07/2019
Participant 15	25/07/2019
Participant 16	26/07/2019
Participant 17	26/07/2019
Participant 18	26/07/2019
Participant 19	28/07/2019
Participant 20	29/07/2019
Participant 21	29/07/2019
Participant 22	29/07/2019
Participant 23	29/07/2019
Participant 24	30/07/2019
Participant 25	30/07/2019
Participant 26	30/07/2019
Participant 27	30/07/2019
Participant 28	31/07/2019
Participant 29	31/07/2019
Participant 30	01/08/2019
Participant 31	01/08/2019
Participant 32	02/08/2019
Participant 33	06/08/2019
Participant 34	06/08/2019
Participant 35	06/08/2019
Participant 36	06/08/2019
Participant 37	06/08/2019
Participant 38	06/08/2019
Participant 39	06/08/2019
Participant 40	07/08/2019
Participant 41	08/08/2019
Participant 42	10/08/2019
Participant 43	12/08/2019
Participant 44	12/08/2019
Participant 45	13/08/2019
Participant 46	13/08/2019
Participant 47	14/08/2019
Participant 48	14/08/2019
Participant 49	22/08/2019

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Annexure Three – Pubs Code Communications Summary 01 April 2019 to 31 March 2020

Date	Format	Subject	Recipients	Description
3 April 2019	Email	Meeting Notes	BDMs	Guidance in regards to quality and content of meeting notes sent to all BDMs.
30 May 2019	Email	Code Bulletin	BDMs and other PP personnel	Internal Code Bulletin sent to all BDMs with general update and details of the Beer Duty and Waste Guidance.
June 2019	Innsight magazine article	Pubs Code reminder	TPTs	Reminder of the Pubs Code with signposting to the PCA website.
11 June 2019	Power of One Call - agenda item	Pubs Code update	BDMs and other PP personnel	General Pubs Code update including information on Beer Duty and Operational Waste Guidance and notification of new PCA advice note published on 7 June 2019.
13 June 2019	South West Regional Meeting	Pubs Code Update	BDMs	Pubs Code update including new RAPO guidelines, pub inspection form, dilapidations information and new PCA advice note.
17 June 2019	Email	PCA Advice Note	BDMs	Notification of PCA advice note on Regulation 28 published on 7 June 2019.
20 June 2019	North Regional Meeting	Pubs Code Update	BDMs	Pubs Code update including new RAPO guidelines, pub inspection form, dilapidations information and new PCA advice note.
26 June 2019	South East Regional Meeting	Pubs Code Update	BDMs	Pubs Code update including new RAPO guidelines, pub inspection form, dilapidations information and new PCA advice note.
1 July 2019	Email	Beer Duty Statutory Guidance	BDMs	Notification that the Beer Duty Statutory Guidance is now live.
9 July 2019	Power of One Call - agenda item	Pubs Code Update	BDMs and other PP personnel	Pubs Code update including information on dilapidations, lessee repair guide and Property Surveyor annual visits.
26 July 2019	Email	Pubs Code Update	Exec Team and BDMs (Estates Managers)	Notification update on Greene King's position of an MRO vehicle and amendments to the stocking requirement clauses on disposal in our MRO agreement.
6 August 2019	Email	Code Bulletin	BDMs and other PP personnel	Internal Code Bulletin sent to all BDMs with general update including details of the newly published PCA bulletin and TPT factsheets.
14 August 2019	Estates Team Meeting	Pubs Code Update	BDMs	Pubs Code update ; Beer Duty; Dilaps; PCA Advice Note June 2019 (Reg.28); MRO vehicle and stocking requirements on disposal.
15 August 2019	Power of One Call- agenda item	Pubs Code Update	BDMs and other PP personnel	Pubs Code Update including new lease repair guide, amends to stocking requirement clauses on disposal in our MRO agreements, submission of compliance report and latest PCA correspondence.
28 August 2019	Email	Pubs Code Update	BDMs	Notification to all BDMs about the new guide to lessee repairing obligations and the annual reminder letter to lessees.
September 2019	Innsight magazine article	Pubs Code reminder	TPTs	Reminder of the Pubs Code with signposting to the PCA website.
5 September 2019	South East Regional Meeting	Pubs Code Update	BDMs	General Pubs Code update including reminder about the content and quality of meeting notes.
10 September 2019	South West Regional Meeting	Pubs Code Update	BDMs	General Pubs Code update including reminder about the content and quality of meeting notes.
17 September 2019	Email	MRO Procedure FAQs	BDMs and other PP personnel	Notification about the publication of our MRO procedure FAQs published on www.greeneakingpubs.co.uk and our online partner portal.
8 October 2019	Property Surveyor Team Meeting	Pubs Code Update	BDMs (Property Surveyors)	General Pubs Code update.
8 October 2019	Power of One Call - agenda item	Pubs Code Update	BDMs and other PP personnel	General Pubs Code update.
9 October 2019	Estates Team Meeting	Pubs Code Update	BDMs (Estates Managers)	General Pubs Code update.
21 November 2019	Email	Regulatory Compliance Handbook	BDMs	Notification of the new chapter on MRO proposals containing the new Compliance and Declaration Record and signposting new fact sheets.
17 December 2019	Estates Team Meeting	Pubs Code Update	BDMs (Estates Managers)	General Pubs Code update including information on Regulation 28, the Regulatory Compliance Handbook MRO proposal chapter and Compliance and Declaration Record.
January 2020	Online Partner Portal	Pubs Code reminder	TPTs	Know your rights banner advert on home page for month of January 2020.
06 January 2020	Email	Meeting Notes	BDMs	General reminder on meeting notes deadline and Greene King's ways of working.
13 January 2020	Licensee Weekly Email	Regulatory Compliance Handbook	TPTs	Notification of the new chapter in Regulatory Compliance Handbook - MRO proposals, the Compliance and Declaration Record and PCA's Bulletin.
23 January 2020	Operations Meeting	Pubs Code Overview and the PCA	BDMs	PCA presented a Pubs Code Overview including the role of the BDM; providing info and discussion notes; and the PCAs regulatory focus.
24 January 2020	Email	PCA Presentation Follow-up	BDMs	Follow-up on areas presented by the PCA, including the role of the BDM, the new MRO proposal chapter, PCA publications and survey findings, update on Q&A.
03 February 2020	Email	Pubs Code Training	OD's, Head of Estates, Head of Property	Reminder about the importance of discussing Pubs Code training in Personal Development Reviews with BDMs.
04 February 2020	Email	Tied Rent Review During MRO Process	BDMs (Estates Managers)	Compliance check around attempts to conclude tied rent reviews during the MRO process following PCA request for information.
06 February 2020	Internal weekly email	Pubs Code Update	BDMs and other PP personnel	Information on dilapidations process and details of an updated MRO FAQ document, published on www.greeneakingpubs.co.uk and our online partner portal.
March 2020	Innsight magazine article	Pubs Code Update	TPTs	Notification of new chapter in Regulatory Compliance Handbook, Compliance and Declaration Record and PCA's Bulletin and reminder of Code rights.
9 March 2020	Licensee Weekly Email	Code Rights and MRO	TPTs	Article promoting the new DPCA video on Code rights and MRO.
9 March 2020	Email	Code Rights and MRO	BDMs and other PP personnel	Article promoting the new DPCA video on Code rights and MRO.
9 March 2020	Online Partner Portal	Code Rights and MRO	TPTs	DPCA video banner advert on home page for month of March 2020.