



OPEN LETTER TO CAMRA FROM HEINEKEN UK

Mr. Colin Valentine
CAMRA
National Chairman

Thursday 9th February,

Dear Colin,

Thank you for your letter of 8th February. I would like to thank you for your constructive approach and for recognising HEINEKEN's "positive track record of investment into improving the pubs it currently owns" and the "potential positive outcome" from our proposed purchase of 1900 pubs from Punch Taverns.

You've raised a number of specific questions which I am pleased to address in turn

- *Will you ensure you maintain a choice for drinkers - most obviously by allowing customers to be able to choose from a range of real ales, ciders and perries?*
- *Can you give assurances that you are committed to allowing your licensees flexibility in offering guest real ales from local breweries, which cannot be considered a threat to a company of Heineken's size?*

I am pleased to confirm that, in the event of our bid to purchase 1900 pubs from Punch Taverns being successful, we intend to work with SIBA (Society of Independent Brewers) to ensure that tenants continue to have access to a wide range of quality beers from small, independent breweries. Following completion of the deal we look forward to working with SIBA to ensure the continued success of the partnership.

Alongside our strong portfolio of leading brands, we already offer a wide range of non-HEINEKEN brands to our existing Star Pubs & Bars licensees, and we think that is important. We already provide an important route to market for a significant number of independent and regional brewers to sell their beer in our existing pubs - where we sold more than 200 different brands of cask beer last year.

We are aware that some Punch tenants are concerned that we will force them to purchase only HEINEKEN brands. We are pleased to confirm that is not the case. As we have consistently said, we will start with what is right for each of the pubs joining us and we will work together with licensees to ensure they have the right drinks on offer to suit the specific needs of each pub.

We have a shared interest in working constructively with licensees to grow our businesses together, and we have no intention of imposing blanket conditions on them which are detrimental to that shared aim. Punch's publicans' leases will continue as before, and they will benefit from the ability to stock drinks from a wide range of drinks suppliers, together with the rights afforded to them by the Pubs Code Regulations.

We urge you to look at our track record. To give just one example, next week, after a £235,000 joint refurbishment by Star Pubs & Bars and Nottinghamshire micro-brewery, Lincoln Green Brewing Company, we will open the Station Hotel which is being transformed in to a friendly neighbourhood pub with a reputation for great cask ale. The pub will have 10 hand pulls on each bar displaying four Lincoln Green beers as well as six guest ales. The two bars will between them serve up to 20 different ales during peak periods.

- *Can you assure us that you will abide by the letter and the spirit of the Pubs Code including giving tenants the right to opt for a market rent only option?*

Yes we intend to abide by both the letter and the spirit of the Pubs Code. Tenants will continue to have the same rights. We said back in 2015 when the SBEE Act was passed that it was a challenge to pub companies to demonstrate that we are acting fairly and supporting tenants. We gave a commitment to rise to that challenge and build even more sustainable and mutually profitable partnerships with our licensees. We stand by that. Our aim is to attract and retain the best licencees as we believe they are crucial to the success of pubs. That's why we continue to offer leases which have Landlord and Tenant Act protection. Of course as with any new legislation there will be a bedding in period and despite our best efforts we will not get everything right. However my commitment to CAMRA and to tenants groups is that our door remains open to constructive discussions on where we can improve.

- *Is your intention to continue operating the vast majority of the acquired pubs as going concerns and that you will consult communities before taking any decision to sell pubs for alternative uses?*

This deal is a major vote of confidence in the Great British Pub. Our intention is to improve the performance of the Punch A Group estate through refurbishing and rejuvenating the pubs, making them more relevant to their communities and capable of multiple income streams including food. We have a strong track record of investing in our pubs having invested over £20m per annum since 2014. Upon completion we will undertake a detailed review of the Punch A Group estate to identify those pubs in most need of investment and to plan carefully how best to integrate the Punch A Group estate with our Star Pubs & Bars business. There are times when we do sell pubs, however I can confirm that when we have sold pubs from our existing estate the majority of these remain as pubs and are not sold for alternative uses. We would be happy to engage with CAMRA on our plans for individual pub sales in the future.

- *Will you agree to further consultation with CAMRA following the acquisition of the pubs, in order to give further assurances about your plans?*

Yes we would welcome discussions with CAMRA, and with other important stakeholders, following completion of the deal to discuss our plans in more detail. The transaction is subject, amongst other things, to Vine Acquisitions' offer for Punch Taverns receiving approval from Punch shareholders and the acquisition of Punch A by HEINEKEN UK being approved by the relevant regulatory authorities. Assuming satisfactory approval, completion is expected by the end of the first half of 2017. Following completion, the pubs acquired by HEINEKEN UK will be operated for six months by Vine Acquisitions under a transitional services agreement, after which they will be fully integrated into the existing Star Pubs & Bars pub business. We believe the deal is a huge vote of confidence in the Great British Pub and as a passionate supporter of pubs, we believe that they play a vital role at the heart of communities. We look forward to welcoming new licensees in to Star Pubs & Bars, and to working with them to grow their businesses. I hope this letter provides the clarity that you seek and that you will agree that the deal is good news for pubs, pub goers and small independent brewers. Further information is contained in the scheme documents which you can access at www.hpubstrans.co.uk

Yours sincerely,

Lawson Mountstevens
Managing Director, Star Pubs & Bars
HEINEKEN UK