

To the Ministers of Economic Affairs and Climate
Honorable Minister of "Rechtsbescherming" Mr. S. Dekker
Honorable Secretary of State of Economic Affairs Mrs. Mona Keijzer

Response to Draft Dutch Franchise Bill and Explanatory Notes

Date: 31 January 2019

Dear Honorable Mr. Dekker and Mrs. Keijzer:

Marriott Hotels International Limited and its affiliates operate under several different brands and franchise a range of concepts for international hotel and hospitality services. We use franchising, among other legal structures, as a model for licensing our trademarks, know how, access to our systems and loyalty program members, marketing programs and hospitality concepts ("Franchise Systems"). Franchising is a key component of our business strategy and how we allow hotel owners and operators to have the benefit of operating under our Franchise Systems, who are typically very sophisticated parties, capable of owning and operating multi-million euro businesses (including, publicly traded companies, real estate investment companies, insurance companies, private equity funds, sovereign wealth funds, Dutch and international real estate developers, and other sophisticated owners of real estate, and operators of hotels). Those franchisees are represented by legal counsel in their negotiations and on-going commercial relationships with Marriott.

Firstly, Marriott is accustomed, as a Global Hospitality Company and franchisor, to conducting business in jurisdictions with franchise regulatory schemes. Marriott, like many international franchisors, provides disclosure describing the terms of our franchise offering for all new franchise transactions, even in jurisdictions where it is not specifically required, including in The Netherlands. Marriott does this so that there is a clear understanding between the parties with respect to expectations and obligations before negotiating and freely entering into the franchise agreement.

We have just recently become aware of the plans in The Netherlands to adopt franchise regulation, and we would like to share our concerns with the current draft bill and the explanatory notes. The draft bill and explanatory notes appear one-sided in favour of franchisees and do not appear to have a clear grasp on the underlying franchise relationship. The draft bill and notes do not take into account: (i) the needs of franchisors to control their brands and the use of their intellectual property; (ii) the value invested over time in the development of those brands and customer loyalty by the franchisors to create the goodwill in those brands, (iii) the franchisor's (and franchisee's as stewards of the franchisor's brand) obligations to the consumers who rely on the franchisor's brands as a representation of quality and the basis for making their purchasing decisions, (iv) the terms of the contracts that are negotiated by the franchisees (including, franchisees that are frequently sophisticated, multi-unit owners) at arm's length to obtain the benefit of the use of the brands developed by the franchisor, and (v) do not create clear obligations with which the franchisor can comply and will cause uncertainty in the legal relationship between the parties that is inconsistent with those contracts and well-established bodies of law.

We are strongly opposed to the draft bill and are greatly concerned that this draft bill, if enacted, will make The Netherlands a less attractive market and prohibitive for franchisors to do business. We recommend that the current bill be withdrawn. If there is a decision to proceed with legislation, we strongly recommend that the input of franchisors and the associations that represent business interests generally be considered, in addition to the franchisees. We recommend that the proposed regulation be limited to a pre-sale disclosure scheme only that precisely describes the franchisor's pre-sale disclosure obligations and not stray into interfering with the commercial relationship of the parties.

Thank you for your consideration of our concerns, and please let us know if we can be of any other assistance to you or you would like any further input in your process.

Yours sincerely,



Marriott Hotels International Limited
Liam Brown, President Europe