

Consent to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 1 April 2016

Completed acquisition by AAH Pharmaceuticals Limited (AAH) of Medical Advisory Services For Travellers Abroad Limited and Sangers (Northern Ireland) Limited (MASTA-Sangers)

We refer to [✂] letters of 11 March 2016 and 22 March 2016 and the further information provided by subsequent emails of 22, 23, 24, 29, 30 and 31 March 2016 requesting that the CMA consents to derogations to the Initial Enforcement Order of 1 April 2016 (the **Initial Order**). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, McKesson UK Finance I Limited and McKesson Corporation (together **McKesson Corporation**) and AAH are required to hold separate the MASTA-Sangers business from the McKesson Corporation business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, AAH and McKesson Corporation may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 4(a), 5(a) and 5(l) of the Initial Order

HR support

A number of back office functions required by MASTA-Sangers are currently carried out by companies in the seller group. Companies within the MASTA- Sangers group¹

¹ The MASTA-Sangers group includes

- Medical Advisory Services for Travellers Abroad Limited (**MASTA**) with its subsidiaries: MASTA Limited (wholly-owned) and Atlas Travel Clinic Limited (wholly-owned by MASTA Limited) ; and
- Sangers (Northern Ireland) Limited (**Sangers**) with its subsidiaries: Blackstaff Pharmaceuticals Limited (wholly-owned), Prima Brands Limited (wholly-owned), J Bradbury Surgical Limited (wholly-owned) and Pharma Services (NI) Limited (50% owned with remaining 50% owned by McLernon Computers (N.I.) Limited).

may therefore need, from time to time, specific human resources support. To ensure the continuity and viability of the MASTA-Sangers business, the CMA authorises [X], an employee of Lloyds Pharmacy Limited to provide expert input on exceptional Human Resources issues² faced by companies within the MASTA-Sangers group, providing that the information [X] would have access to, will not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. In order to comply with this requirement [X] will sign a non-disclosure agreement (**NDA**) in a form approved by the CMA.

Legal support

A number of back office functions required by MASTA-Sangers are currently carried out by companies in the seller group. Companies within the MASTA-Sangers may need, from time to time, specific legal support. To ensure the continuity and viability of the MASTA-Sangers business, CMA authorises [X] and employed by Lloyds Pharmacy Limited to provide, on an *ad hoc* basis, legal advice on issues limited to employment law queries, real estate issues and regulatory/clinical compliance, providing that the information that [X] would have access to, will not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. In order to comply with this requirement [X] will sign a non-disclosure agreement (**NDA**) in a form approved by the CMA.

Any legal advice on commercially sensitive issues and/or issues which require access to commercially sensitive information (including in particular commercial contracts) shall be provided by the external law firms [X] for Sangers³ and its subsidiaries, and [X] for MASTA and its subsidiaries. The CMA authorises McKesson Corporation and/or its subsidiaries to pay the fees of the law firms involved on the basis that neither McKesson Corporation nor any of its subsidiaries shall have any insight as to the legal advice provided.

Tax support

Tax support for MASTA-Sangers (ie managing the relationship with HMRC and filing returns) is currently provided by members of the seller group. Although tax returns are not currently due, McKesson Corporation requires access to information on tax calculations in the accounts to ensure that such calculations are accurate.

To ensure the continuity and viability of the MASTA-Sangers business and providing that the information received by the individuals mentioned below, will not be

² Expert input is to be understood as problems which are unrelated to the day-to-day Human Resource issues such as complex performance management issues or long term health issues.

³ Sangers (Northern Ireland) Limited

disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries, the CMA authorises

- [X] (an employee of Lloyds Pharmacy Limited),
- [X] (an employee of McKesson Corporation and/or its subsidiaries), and
- [X] (an employee of McKesson Corporation and/or its subsidiaries),

to receive information for the purposes of ensuring that VAT and direct income tax returns and/or periodic calculations in the accounts are accurate and for managing the relationship with HMRC in regards to future communications or inquiries.

In order to comply with this requirement [X] will sign an NDA in a form approved by the CMA.

2. Paragraph 5(f) of the Initial Order

IT support

MASTA-Sangers is no longer able to use software licenses for Microsoft applications and SAP which were held by UDG Healthcare plc. Accordingly, to ensure business continuity the CMA grants a derogation for the companies within the MASTA-Sangers group to move from the licenses they hold for Microsoft applications and the SAP to the licences held by the companies within the McKesson Corporation.

In addition, in exceptional circumstances hardware failures or software problems may cause disruptions to the business. Should such disruptions occur at companies within the MASTA-Sangers group, external IT support may become necessary. Such external IT support shall be provided by a third party to be approved in advance by the CMA. The CMA authorises McKesson Corporation or its subsidiaries to pay the costs of that third party. However neither McKesson Corporation nor any of its subsidiaries shall provide IT support through any of its employees. The information that such third party would have access to shall not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. In order to comply with this requirement the members of the third party IT support team will sign an NDA in a form approved by the CMA.

[X] support

Prior to completion of the merger the companies within the MASTA-Sangers group were investigating the feasibility of [X]. To ensure the continuity of the project, the CMA authorises [X] to have access to [X]. The abovementioned individuals will sign an NDA in a form approved by the CMA in order to ensure that any potentially

sensitive information they may inadvertently come across would not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries.

In addition the CMA authorises [X] to receive information regarding [X] provided that the information relating to these entities, [X], is in no circumstance accessible by any other individual carrying out activities within MASTA-Sangers and/or their subsidiaries. In order to comply with this requirement the abovementioned individuals will sign an NDA in a form approved by the CMA.

3. Paragraph 5(l) of the Initial Order

Financial reporting

To enable McKesson Corporation to ensure that MASTA-Sangers continues to be operational during the period of the Initial Order, the CMA authorises [X] (an employee of AAH Pharmaceuticals Limited), [X] and [X] (both employees of Lloyds Pharmacy Limited) to have access to the financial pack and general commentary regarding the performance of the MASTA-Sangers business against budget, providing that this commentary is based on aggregate financial data which would not enable McKesson Corporation and/or its subsidiaries to identify the suppliers and customers on the basis of which the aggregated financial data is calculated. In order to comply with this requirement the abovementioned individuals will sign an NDA in a form approved by the CMA.

Chart of account mapping

For business continuity purposes and in order to ensure compatibility between MASTA-Sangers and Celesio AG⁴ accounting structures the CMA authorises [X] (a Celesio AG employee) to receive information on the accounting structure of MASTA-Sangers on the basis that details about the figures contained in that structure will not be provided and providing that the information [X] would have access to will not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. [X] will sign an NDA in a form approved by the CMA in order to ensure that any potentially sensitive information she may inadvertently come across would not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries

⁴ Celesio AG is a subsidiary of McKesson Corporation.

Director Reporting

The newly appointed Directors at MASTA-Sangers, Cormac Tobin, Thorsten Beer and Nigel Swift (who are active within the McKesson Corporation and/or its subsidiaries) will need to comply with various statutory obligations placed on them. For that purpose, the CMA grants a derogation to the abovementioned individuals to receive such information as is strictly necessary to meet such statutory obligations as follows:

- Confirmation that MASTA-Sangers are keeping accurate financials records. As a practical matter, this will be limited to the ability to ask questions to the Finance Director which are specifically related to the accounting processes being carried out;
- Reporting from MASTA-Sangers management on any matters which constitute Wrongful Trading or Fraudulent Trading under the Insolvency Act 1986; and
- Reporting from MASTA-Sangers management on matter which could have a material adverse impact on MASTA-Sangers' financial position, reputation, or otherwise prejudice the ability of the MASTA-Sangers business to continue operating in the ordinary course of business.

In order to comply with this requirement, Cormac Tobin, Thorsten Beer and Nigel Swift will sign an NDA in a form approved by the CMA.

These directors will be assisted in their task by [X] (an employee at Lloyds Pharmacy Limited) and [X] (an employee of McKesson Corporation and/or its subsidiaries) who will prepare reports for the named directors. For that purpose, the CMA grants a derogation to [X] and [X] to receive information strictly necessary to prepare the reports on the basis of which these directors will meet their statutory obligations and providing that the information [X] and [X] would have access to will not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. In order to comply with this requirement [X] and [X] will sign a NDA in a form approved by the CMA.

Information for treasury purposes

In order to administer cash funding and loans requests for MASTA-Sangers, McKesson Corporation and or its subsidiaries need to receive cash flow forecasts. For that purpose the CMA authorises [X] (an employee of McKesson Corporation and/or its subsidiaries) to access this information, providing that the information [X] would have access to, will not be disclosed to any other individual carrying out activities within the McKesson Corporation and/or its subsidiaries. In order to comply with this requirement [X] will sign an NDA in a form approved by the CMA.