

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

Anticipated acquisition by Co-operative Food Ltd and Co-operative Group Ltd of eight My Local Stores

We refer to your emails, and accompanying notes dated 30 June 2016 and 1 July 2016 requesting that the CMA consents to derogations to the Initial Enforcement Order of 1 July 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, CGL and CFL are required to hold separate the Target Stores businesses from the CFL business and refrain from taking any action which might prejudice a reference under section 22 or 33 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 exceptional circumstances of this case, in particular the administration procedure in respect of MLCG, CGL and CFL may carry out the following actions, in respect of the specific paragraphs:

Paragraphs 5(a) and 6(a) of the Initial Order

On the basis that the transaction involves a purchase of assets and in order to ensure that the Target Stores businesses continues to function as a viable business, during the specified period, the CMA accepts the request for derogation from the above paragraphs to allow the incorporation of the Target Stores' profit and loss accounts into the wider CGL profit and loss accounts, provided each Target Stores' profit and loss account remains identifiable and the accounting integration is reversible as a practical matter.

As MLCG is in administration, the Target Stores will not hold bank accounts in its own name. The CMA therefore accepts a derogation from the above paragraphs to allow payments from the Target Stores and payments to the Target Stores to be carried out through the CGL bank accounts, provided the amounts paid into and out of the accounts, and the corresponding dates, remain identifiable.

Paragraphs 5(a), 6(b), 6(d) and 6(f)(i) and 6(f)(ii) of the Initial Order

Having regard to the fact that MLCG went into administration on Wednesday 29 June 2016 and that the My Local brand does not transfer to CGL as consequence of the transaction, the CMA accepts the request for derogation from the above paragraphs to allow:

- (a) the rebranding of the Target Stores; and
- (b) the operation of the stores in line with CGL's national grocery store strategy which are applied to all of the grocery stores it operates (including pricing at national level).

On a day-to-day basis CGL will continue to operate the stores as independent stores, run by the existing MLCG staff. Other than in relation to change in branding of the Target Stores, the conditions of paragraphs 6(f) remain in force.

Paragraphs 5(a) and 6(l) of the Initial Order

On the basis that the transaction involves a purchase of assets, which did not include the back office IT system pertaining to the Target Stores does not transfer to CGL as a consequence of the transaction, and having regard to the fact that MLCG went into administration, during the specified period, the CMA accepts a derogation from the above paragraphs to allow the Target Stores businesses to be integrated onto the CGL Epos system¹ subject to the following undertakings by CGL and CFL:

- (a) the personnel working in the CFL business areas which constrain the business of the Target Store as per the CGL/Somerfield methodology, including but not limited to area managers, and who are required to access EPOS sale information and inventory data on a need to-know basis will not be provided with the reports² relating to, and will not access EPOS data relating to the Target Store businesses;
- (b) the following six area managers will not share any confidential information they may receive about the Target Stores with any other CGL and/or CFL personnel:
 - (i) [REDACTED], area manager for Steeton [REDACTED];

¹ The EPOS system is a live system that operates through the store tills and records store transactions as they take place. The EPOS system records sales data by SKU. An inventory management system is also operated through the tills. This system records current stock levels, sold items and wastage for the stores. That system drives the inventory for the stores and ensures that stock is automatically re-ordered. The EPOS sales data and inventory information is sent to CGL's central data warehouse where it is stored. That information is used to generate three different kinds of reports for all CGL grocery stores: (1) daily reports, (2) weekly P&L accounts and (3) monthly management accounts which are further explained in the derogation request dated 30 June 2016.

² See footnote 1 of this letter.

- (ii) [REDACTED], area manager for Nottingham;
- (iii) [REDACTED], area manager for Widnes;
- (iv) [REDACTED], area manager for Croydon;
- (v) [REDACTED], area manager for [REDACTED]Stockport;
- (vi) [REDACTED], area manager for Blackpool;

(c) the following seven individuals, who are involved in making strategic decisions on behalf of CGL (including in respect of price) and who have access to the data warehouse³ and reports mentioned in footnote 2 of this letter, will not directly or indirectly access data that is individual to the Target Store businesses:

- (i) [REDACTED], Commercial;
- (ii) [REDACTED], Commercial;
- (iii) [REDACTED], Commercial;
- (iv) [REDACTED], Executive;
- (v) [REDACTED], Executive;
- (vi) [REDACTED], Executive; and
- (vii) [REDACTED], Executive.

(d) CGL will not have access to any historic financial information, i.e. prior to completion, relating to the target My Local stores.

Other than as set out above, the conditions contained in paragraph 6(l) remain in force.

³ See footnote 1.