

**Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 17 July 2017**

**Completed acquisition by Hunter Douglas (UK) Limited of Bellotto Holdings Limited**

We refer to your letter dated 4 July 2017 and further telephone conversations and emails of 12, 13, 14, 17 and 19 of July 2017 requesting that the CMA consents to derogations to the Initial Enforcement Order of 17 July 2017 (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, Hunter Douglas NV and Hunter Douglas (UK) Limited (together, **Hunter Douglas**) is required to hold separate its business from the Bellotto Holdings Limited (the **Target**) 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, Hunter Douglas may carry out the following actions, in respect of the specific paragraphs:

**1. Paragraph 4, paragraph 5(a) and paragraph 5(l) of the Initial Order**

In order to ensure that the (i) viability of the Target business is safeguarded; (ii) the value of Hunter Douglas's proposed investment in the Target is protected; and/or (iii) Hunter Douglas's compliance with its regulatory and accounting obligations are protected, the CMA consents to Hunter Douglas having a number of authorisation rights with respect to the Target's activities listed in Annex 1.

Hunter Douglas acknowledges the need for Target to continue to operate in the normal course of business, and the authorisation rights are intended to relate only to the activities listed in Annex 1 falling outside the normal course of the Target's business.

Should Hunter Douglas refuse any authorisation requested by the Target, Hunter Douglas will notify the CMA of the refusal in its next compliance statement.

Each authorisation right can only be exercised by a limited number of named individuals at the Target as set out in Annex 1. None of these individuals are

involved in day-to-day decision-making in respect of Hunter Douglas's business operations in the UK.

These individuals will also obtain Target information necessary for the purpose of exercising their authorisation rights. The individuals listed in Annex 1 to this letter will enter into a non-disclosure agreement (**NDA**) in a form approved in advance by the CMA which governs their obligations to keep the relevant information confidential, not circulate that information more widely than is appropriate in the circumstances and only use the confidential information for the purposes it was received.

## **2. Paragraph 4 and paragraph 5(a) of the Initial Order**

In the interests of transparency, Hunter Douglas has requested a derogation in relation to:

- a) Hunter Douglas (and a joint venture based in Vietnam in which Hunter Douglas owns a minority stake)<sup>1</sup> to be able to supply additional assembled products to the Target on arm's length commercial terms; and
- b) Target to increase its supply to Hunter Douglas of products it is already and has for years supplied to the Hunter Douglas unit in question.

The CMA consents to this derogation as these supplies will be on arm's length commercial terms as between independent operators by placing individual orders and without a long-term supply or take-up commitment, and so will not constitute any pre-emptive action in the integration of the parties, nor will the supply arrangements be difficult or costly to reverse in the event that the Transaction does not proceed.

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<sup>1</sup> Blaze Woven Blinds Manufacturing Limited.

## Annex 1

### Derogations

No	Derogation	Hunter Douglas personnel
1	Authorisation rights relating to non-ordinary course third party commitments, including:	
	(i) Incurring any borrowings (or indebtedness in the nature of borrowings), other than trade credit in the ordinary course of business in accordance with normal practice;	[X]
	(ii) Other than in the ordinary course of business, <sup>2</sup> granting any guarantee, indemnity or security to any third party, where such obligations or liabilities exceed or might reasonably be expected to exceed £[X];	[X]
	(iii) Entering into, amending or terminating any swap, option, forward or other derivative transaction or arrangement (except in respect of the utilisation of any existing swap, option, forward or other derivative transaction or arrangement in the ordinary course of business); and	[X]
	(iv) Other than in respect of debt collection in the ordinary course of business, commencing, ceasing, assigning, compromising, waiving or settling any litigation or arbitration that involves or could reasonably be expected to involve an amount in excess of £[X].	[X]
2	Authorisation rights relating to large advances / expenditure, including:	
	(i) Making any amendments to the annual budget which would increase or decrease the budget by more than 10%;	[X] [X] [X]
	(ii) Marketing expenses exceeding 110% of the budgeted amounts.	[X] [X]

<sup>2</sup> Which shall exclude entering into any secured finance arrangements (other than in connection with any credit card scheme or general terms and conditions of banks) but shall include arrangements with customer brokers, warehousemen and customers.

		[X]
	(iii) Declaring, authorising or paying dividends or other distributions which were not already authorised prior to completion of the acquisition.	[X]
	(iv) Advancing (other than in the ordinary course of business) any amount to any employee that exceeds the aggregate amount of compensation that such employee is entitled to receive over any three-month period (other than for travel expenses);	[X]
	(v) Entering into an agreement with a prospective employee with base salary over £[X]; and	[X]
	(vi) Except as included within an Annual Budget, entering into, varying or terminating any agreement or arrangement (whether through one transaction or a series of related transactions) that would result in capital expenditure exceeding £[X].	[X] [X] [X]
3	Authorisation rights relating to corporate structure, including:	
	(i) Acquisitions, disposals, JVs, partnership or similar profit sharing arrangements entered into by the Target;	[X]
	(ii) Allotting or issuing, or granting any option over or right to subscribe for or purchase, any shares or other securities; and	[X]
	(iii) Repurchasing, redeeming or cancelling any shares or other securities of any member of the Group, or repaying any capital.	[X]
4	Authorisation rights relating to key personnel, including:	
	(i) Appointing any Target director or equivalent officer;	[X]
	(ii) Varying or terminating the service agreement of any Manager, or waiving or compromising any right or claim that a member of the Target group may have against a Manager, or authorising any conflict of interest on the part of any Manager.	[X]
	(iii) Entering into, terminating or varying any contract or other arrangement between any member of the Target group and: (i) any Manager or person connected with any such Manager; or (ii) any employee of any member of the Group whose employment can be terminated ordinarily only upon service of notice of at least six months (except for ordinary trading activities).	[X]
5	Authorisation rights relating to accounting procedures, including:	

	(i) Appointing the auditor (or terminating the appointment of an existing auditor);	[X]
	(ii) Changing the accounting reference date other than to a (long) year ending 31 December; and	[X]
	(iii) Changing the accounting practices, principles, policies, methodologies and categorisations by which the accounts are drawn up except where such change is required in order to comply with generally accepted accounting principles.	[X]
6	Authorisation rights in relation to a number of real property rights, including:	
	(i) Entering into any lease, tenancy, licence or other agreement in respect of, or affecting, any real property;	[X] [X] [X] [X]
	(ii) Surrendering or assigning any lease or licence under which any real property is held;	[X] [X] [X] [X]
	(iii) Entering into any variation of the terms of any lease, tenancy, licence or other agreement under which any real property is held; and	[X] [X] [X] [X]
	(iv) Disposing or granting any option in respect of, or encumbrance over, any real property.	[X] [X] [X]
7	Authorisation rights in relation to any licensing arrangement (whether as licensee or licensor) in respect of IP rights, other than in relation to: (i) Licences to independent salespeople and/or fitters in the ordinary course of trading; (ii) Software licences; and (iii) Any such arrangements entered into in the ordinary course of business.	[X]
8	Authorisation rights in relation to any use by the Target of the following Hunter Douglas trademarks: “Luxaflex”, “Hunter Douglas” or “Blinds2Go” or any other trademarks that are trademarks owned by any member of Hunter Douglas Group.	[X]

9	Authorisation rights in relation to applying for the registration or renewal of any IP rights other than through Hunter Douglas Group's Patent and Trademark Department.	[X]
10	<p>Hunter Douglas (and Blaze Woven Blinds Manufacturing Limited, a joint venture in Vietnam, in which Hunter Douglas owns a minority stake) to be able to supply additional assembled products to the Target on arm's length commercial terms;</p> <p>Target to increase its supply to Hunter Douglas of products it is already and has for years supplied to the Hunter Douglas unit in question.</p>	As these are arm's length arrangements, the relevant contacts will be with those Hunter Douglas staff who would normally deal with such issues in the ordinary course of business.