

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 26 June 2018

Completed acquisition by Castle Water Holdings Limited of Invicta Water Limited

Dear Mr Reynolds and Mr Mitchell,

We refer to Mr Mitchell's letter and its attachments dated 28 June 2018 and further correspondence dated 29 June 2018, 30 June 2018 and 1 July 2018, requesting that the CMA consents to derogations to the Initial Enforcement Order of 26 June 2018 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for with written consent by the CMA, Castle Water and Castle Water Holdings (collectively, '**Castle**') are required to hold separate the Invicta business from the Castle 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, Castle and Invicta may carry out the following actions, in respect of the specific paragraphs:

Paragraphs 6 (a), (c), 6(i) 6(j) and (l) of the Initial Order: appointment of directors and company secretary to Invicta

As explained above, the CMA understands the existing directors and company secretary of Invicta are appointees of the South East Water group and accordingly will resign in connection with the acquisition by Castle Water Holdings Limited.

The CMA understands that Castle wishes to appoint two directors and a company secretary to Invicta. The individuals proposed are:

- John Reynolds, CEO of the Castle business and shareholder in Castle Water Holdings as director;
- Iolo Morris, Chief Financial Officer of the Castle Water business as director; and

- Euan Mitchell, General Counsel and Company Secretary of the Castle Water business as company secretary.

The CMA consents to Castle making these appointments on the basis that:

- a) Each appointee will exercise their functions in accordance with the IEO and any derogations issued by the CMA;
- b) Each appointee will not take part in, have access to information regarding, or attend meetings discussing commercially sensitive information in relation to the Invicta business, including but not limited to customer negotiations, price-setting or margins and prices in relation to the Invicta business;
- c) Each appointee will not be involved in the Invicta business save for the following:
 - i. Iolo Morris shall be added to the list of Castle employees alongside John Reynolds, Euan Mitchell and the HR Director, under paragraph 3 of the CMA's consent letter dated 29 June 2018 ('Paragraph 6(b) and (l) of the IEO: Input and authorisation by the Castle business')
 - ii. the following item shall be added to Annex 2 of the Rules of Engagement for the purposes of paragraph 3 of the CMA's consent letter dated 29 June 2018: 'Matters strictly related to compliance with external regulatory and/or accounting obligations';
- d) For the avoidance of doubt, information shared with the appointees further to paragraph 3 of the CMA's consent letter of 29 June 2018 is kept to the necessary minimum and avoids including sensitive commercial information.
- e) Prior to starting their role, each appointee will be required to enter into a non-disclosure agreement, in a form approved by the CMA, to ensure that any confidential information relating to Invicta that he or she receives is appropriately ring-fenced from Castle.

Alba Ziso, Assistant Director, Mergers

4 July 2018