

DEROGATION LETTER IN RESPECT OF INITIAL ENFORCEMENT ORDER ISSUED PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002 COMPLETED ACQUISITION

Please note that [✂] indicates figures or text which have been deleted at the request of the parties for reasons of commercial confidentiality.

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 May 2019

Completed acquisition by JD Sports Fashion plc of Footasylum plc (the Merger)

We refer to your letter of 26 July 2019 requesting that the CMA consents to derogations to the Initial Enforcement Order of 17 May 2019 (the 'Initial Order'). The terms defined in the Initial Order have the same meaning in this letter. Further, in this letter:

'the Pentland International Business' means the business of the following Pentland entities: Canterbury International (Australia) PTY Limited, Canterbury of New Zealand Limited, Pentland USA Inc, SeaVees Inc, Heidi Klein Inc, Endura Inc, Ellesse USA LLC, Karen Millen USA LLC, Canterbury USA LLC, Asco General Supplies (Far East) Limited t/a Pentland Asia (Hong Kong HQ) and its branch offices in Thailand, Vietnam, and Indonesia, Pentland Trading (Shanghai) Company Limited, Pentland Trading (Shenzhen) Company Limited, Pentland India Trading Private Limited and Pentland Asia Pacific Limited.

Under the Initial Order, save for written consent by the CMA, Pentland and JD Sports are required to hold separate the Footasylum business from the Pentland and JD Sports businesses 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 a derogation from the Initial Order, based on the information received from you, the specific circumstances of this case and, in particular, the CMA's provisional views on the effect of the Merger on the businesses addressed by this derogation letter, Pentland may carry out the following actions in respect of the specific paragraphs of the Initial Order listed below.

1. Paragraphs 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 10 of the Initial Order

The CMA understands that Pentland has investments in [✂] (the **Pentland Investment Business**), that are managed and operated separately from the rest of the Pentland business. On the basis that the Pentland Investment Business operate in different markets from the JD Sports and Footasylum businesses, the CMA consents to a derogation exempting the Pentland Investment Business from paragraphs 6(c), (d), (e), (h), (i), (k) and from paragraph 10 of the Initial Order such that the Pentland Investment Business can continue to operate in the ordinary course of business.

2. Paragraphs 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 10 of the Initial Order

The CMA understands that the subsidiaries and brand offices of the Pentland International Business are managed and operated separately from the rest of the Pentland business and that these subsidiaries do not have any activities that affect the UK. On the basis that the subsidiaries of the Pentland International Business are not active in the UK, the CMA consents to a derogation exempting the Pentland International Business from paragraphs 6(c), (d), (e), (h), (i), (k) and from paragraph 10 of the Initial Order such that the Pentland International Business can continue to operate in the ordinary course of business.

3. Paragraphs 6(e), 6(h) and 10 of the Initial Order

The CMA understands that there are a number of licence and/or distribution agreements (the **Licence and Distribution Agreements**) which are concluded between third parties and brand owning companies in the Pentland Group which do not relate to the supply, manufacture or distribution of goods in the UK. On the basis that these licence and/or distribution agreements are not necessary to preserve the stand-alone viability and competitive capability of the brands, the CMA consents to a derogation exempting the License and Distribution Agreements from paragraphs 6(e), (h) and from paragraph 10 of the Initial Order such that Pentland can continue to operate the Licence and Distribution Agreements in the ordinary course of business.

4. Paragraph 6(c) and 6(i) of the Initial Order

The CMA understands that the position of Strategic Account Executive (Active) in the Pentland Strategic Accounts Team which was a junior role in the Pentland business without strategic or managerial responsibility, was vacated in April 2019. However, due to a change in business requirements, the role was changed to the more senior

role of Strategic Account Manager (Active) and in June 2019 Pentland started recruiting for the new role. In order to ensure the ongoing viability and independent operation of the Pentland business, Pentland has requested a derogation from the Initial Order to appoint [X] to the role of [X] with effect from 5 August 2019. The CMA consents to this derogation on the basis that it is necessary to ensure the ongoing viability and independent operation of the Pentland business.

For the avoidance of doubt, this derogation does not apply to the JD Sports business or the Footasylum business. The CMA's consent to the aforementioned derogations does not, under any circumstances, permit Pentland from taking any other action prohibited under the Order.

Elie Yoo
Assistant Director, Mergers
5 August 2019