

**DEROGATION LETTER  
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED PURSUANT TO  
SECTION 72(2) ENTERPRISE ACT 2002**

**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 10 February 2021.**

**Completed acquisition by Bellis Acquisition Company 3 Limited, jointly controlled by Mr. Mohsin Issa and Mr. Zuber Issa (the Issa Brothers), and funds managed by TDR Capital LLP (TDR Capital), of Asda Group Limited (Asda), (the Acquisition).**

We refer to your submissions of 5 February 2021 and 15 February 2021 requesting that the CMA consents to derogations from the Initial Enforcement Order of 10 February 2021 (the '**Initial Order**'). Unless otherwise stated, 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, Mr Mohsin Issa, Mr Zuber Issa, TDR Capital III Holdings L.P., TDR Capital III Investments (2019) L.P., TDR Capital, and Asda (the **Addressees**) are required to hold separate the Asda business from the EG 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 a derogation from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

**Paragraphs 6(c) and 6(e) of the Initial Order**

Asda submits that in [X], Asda [X] review of the performance of its automated distribution centres in [X]. In [X], following this review, Asda management proposed closing both sites due to [X].

Asda's management plans to submit to the board on 22 February 2021 a proposal for the closure of both distribution centres. Asda submits that should its board approve this proposal, Asda would commence collective consultation with colleague representatives.

There would then be a final board decision on whether to proceed with the proposal, based on feedback from the consultation. If the decision is made to proceed, consultation with impacted colleagues would take place. Asda would also engage with [✂] for the opening of new in-store capacity. Once this is set up, there would be [✂], with the actual closures of the automated sites to take place in [✂].

The CMA understands that Asda's management has arrived at this decision independently of the Acquisition, as well as of EG and EG's shareholders. The CMA therefore consents to a derogation from paragraphs 6(c) and 6(e) of the Initial Order to permit the closure of the Dartford and Heston distribution centres, strictly on the understanding that:

- (a) neither closure will affect the viability or ongoing operation of the Asda business post-completion;
- (b) this derogation will not result in any integration between the Asda business and the EG business;
- (c) should the Initial Order still be in place, the ultimate decision on whether to proceed with the closures will be made by Asda's board independently of, and without intervention from, EG and its shareholders.
- (d) this derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

### **Paragraph 6(c) of the Initial Order**

Asda submits that in January 2020 it proposed, and opened a consultation on, a consolidation of back-office functions for superstores and supermarkets. Asda currently has back office roles specialized in each of the following tasks: (i) cash processing; (ii) manual shrink oversight; and (iii) certain HR functions. Asda submits that general market trends have reduced or redefined demand for each of these tasks. Accordingly, it intends to consolidate these into a single role. This would result in a reallocation of back office labour, as well as a small number of redundancies.

Asda's management plans to submit this proposal to Asda's board on 22 February 2021. Assuming board approval, Asda would commence collective consultation with colleague representatives. There would then be a final board decision on whether to proceed with the proposal, based on feedback from the consultation. If the decision is made to proceed, consultation with impacted colleagues would take place. The change would therefore not be expected to be implemented before [✂].

The CMA understands that Asda's management has arrived at this decision independently of the Acquisition, as well as of EG and EG's shareholders. The CMA therefore consents to a derogation from paragraph 6(c) of the Initial Order to permit the abovementioned reorganisation, strictly on the understanding that:

- (a) this change will not affect the viability or ongoing operation of the Asda business post-completion;
- (b) this derogation will not result in any integration between the Asda business and the EG business;
- (c) no changes to key staff, as defined in the Initial Order, will be implemented without first requesting a separate derogation from the CMA to permit this.
- (d) should the Initial Order still be in place, the ultimate decision on whether to proceed with this reorganisation will be made by Asda's board independently of, and without intervention from, EG and its shareholders.
- (e) this derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

### **Paragraph 6(c) of the Initial Order**

Asda submits that in [X] it proposed a restructuring of in-store management. The net impact, from [X], would be [X] translating into a net annualised benefit of [X].

Asda's management plans to submit this proposal to Asda's board on 22 February 2021. Assuming board approval in February, Asda would commence collective consultation with colleague representatives. There would then be a final board decision on whether to proceed with the proposal, based on feedback from the consultation. If the decision is made to proceed, consultation with impacted colleagues would take place. The change would therefore not be expected to be implemented [X].

The CMA understands that Asda's management has arrived at this decision independently of the Acquisition, as well as of EG and EG's shareholders. The CMA therefore consents to a derogation from paragraph 6(c) of the Initial Order to permit the abovementioned reorganisation, strictly on the understanding that:

- (a) this change will not affect the viability or ongoing operation of the Asda business post-completion;

- (b) this derogation will not result in any integration between the Asda business and the EG business;
- (c) no changes to key staff, as defined in the Initial Order, will be implemented without first requesting a separate derogation from the CMA to permit this.
- (d) should the Initial Order still be in place, the ultimate decision on whether to proceed with this reorganisation will be made by Asda's board independently of, and without intervention from, EG and its shareholders.
- (e) this derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

Yours sincerely,

Ricardo Zimbron

Assistant Director, Mergers

18 February 2021