

**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 (the Act) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 1 February 2021

Completed acquisition by Veolia Environnement S.A. of a minority shareholding in Suez S.A. (the 'Transaction').

We refer to your letter and accompanying note dated 31 March 2021 requesting that the CMA consents to derogations to the Initial Enforcement Order of 1 February 2021 (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, Suez S.A. ('**Suez**') and Ondeo Industrial Solutions UK Ltd, Suez Water Tech & Solutions UK Limited and Suez UK Group Holding Ltd (together, '**Suez UK**') are required to hold separate the Suez business from the Veolia Environnement S.A. ('**Veolia**') business and refrain from taking any action which might prejudice a reference under section 22 of the Enterprise Act 2002 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, Suez and Suez UK may carry out the following actions, in respect of the specific paragraphs:

1. Paragraph 7(e) of the Initial Order

Suez submitted that a derogation should be granted from paragraph 7(e) to permit the sale of its [X] site in [X] ('[X]') (the '[X]'). [X]. The CMA understands that the [X] site is not currently in use by Suez and its sale therefore does not impact the services offered by Suez in the UK. The CMA grants this derogation on the basis that it is proportionate and in line with the aims of the Initial Order and that the [X] will not impede the taking of any action under the Act by the CMA nor lead to the integration of the Veolia business and Suez business.

2. Paragraph 7(f) of the Initial Order

Suez submitted that, prior to the imposition of the Initial Order, Suez and Suez UK had commenced a number of IT changes, including:

- (i) [REDACTED], which is due to complete by summer 2021; and
- (ii) [REDACTED], which is currently in the planning and implementation phase.

In addition, Suez submitted that [REDACTED] (together with sub-paragraphs (i) and (ii) above, the **'IT Projects'**).

Suez further submitted that a number of smaller IT projects are being undertaken or have been planned by the Suez business to upgrade its IT systems in the ordinary course of business.

Suez therefore sought CMA consent to (i) continue with the planned roll-out of the IT Projects and (ii) exclude from the scope of paragraph 7(f) of the Initial Order, those changes to Suez's IT systems which occur in the ordinary course of business.

The CMA consents to a derogation from paragraph 7(f) of the Initial Order strictly on the basis that this derogation is proportionate and in line with the aims of the Initial Order, and does not allow for any integration of the IT systems of the Veolia business and the Suez business.

3. Paragraphs 4(c), 7(b), 7(d), 7(e) and 7(h) of the Initial Order

Suez submitted that, as a result of the Covid-19 pandemic, it has experienced [REDACTED]. Further, the CMA understands that, as a result of the extraordinary circumstances of the Covid-19 pandemic, Suez may need to [REDACTED]. The CMA understands that [REDACTED] are either because Suez:

- is required/mandated to do so;
- does not have enough staff to viably [REDACTED]; or
- cannot [REDACTED] the operation of the site or a [REDACTED], including financially, due to the circumstances presented by Covid-19.

As such, Suez submitted that paragraphs 4(c), 7(b), 7(d), 7(e) and 7(h) should not apply in relation to Suez facilities being taken [REDACTED] to its ability to provide services as a result of the Covid-19 pandemic.

The CMA considers that the derogation requested is required in the unprecedented and fast-moving circumstances of the Covid-19 pandemic.

On that basis, the CMA consents to a derogation from paragraphs 4(c), 7(b), 7(d), 7(e) and 7(h) of the Initial Order strictly on the basis that:

- (i) Any temporary service [X] are implemented only where strictly unavoidable given the circumstances of the Covid-19 pandemic;
- (ii) The reason for the [X] will be limited only to those set out above (unless otherwise agreed by the CMA in writing);
- (iii) Suez and Suez S.A. will continue to report any such [X] in the regular compliance statements required under the Initial Order, and will include in such reports details of:
 - a. The relevant services or site/s;
 - b. The anticipated duration of the [X];
 - c. The reason/s for the [X]; and
- (iv) Unless withdrawn beforehand, this derogation shall remain in effect until 30 June 2021 (unless amended with the prior written consent of the CMA, including by e-mail).