

**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 submission of 18 March 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. In particular, under the Initial Order, the Addressees are required to procure that, except with the prior written consent of the CMA, Asda takes all reasonable steps to encourage all key staff of the Asda business to remain and that no changes are made to key staff of the Asda business.

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, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

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

The CMA understands from Asda that Asda's current Chief Information Officer (CIO), Ms Anna Barsby, is engaged on a fixed-term contract, which expires at the end of June 2021. The CMA further understands that, in anticipation of the end of that contract term, Asda intends to appoint a replacement on a permanent basis.

Asda submits that it has identified Mr Carl Dawson as a suitable individual to perform the CIO role on a permanent basis. Mr Dawson is an experienced CIO, having served in a CIO role at Marks and Spencer, Tesco and other retailers. Asda has made an offer of appointment to Mr Dawson, which is conditional upon securing the CMA's approval.

Asda further submits that, since the Acquisition, Ms Barsby has been focusing on activities related to the separation of Asda's IT infrastructure and systems from Walmart, Asda's previous owner. Asda therefore intends to create a new position, Vice President (VP) of Separation, to cover these activities specifically and to appoint Ms Barsby to that position so that she can continue to lead the separation activities.

Asda therefore requests a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit:

- (i) Ms Barsby to leave the position of CIO of Asda.
- (ii) Mr Dawson to be appointed CIO of Asda.
- (iii) Ms Barsby to be appointed VP of Separation of Asda.

The CMA consents to a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit the three above actions, strictly on the basis that:

- (a) Mr Dawson has the relevant expertise and experience necessary to perform the role of CIO of Asda. As such, his replacing Ms Barsby as CIO of Asda will not impact the viability and ongoing operation of the Asda business.
- (b) Ms Barsby has the relevant expertise and experience necessary to perform the role of VP of Separation of Asda. As such, this appointment will not impact the viability and ongoing operation of the Asda business.
- (c) Ms Barsby will ensure a smooth handover of her responsibilities to Mr Dawson.
- (d) This derogation will not result in any integration between the Asda business and the EG business.
- (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 February 2020, Asda Logistics Services (ALS), Asda's internal logistics division, commenced consultation with potentially affected colleagues and their appropriate representatives over a proposal to move from having seven regional transport planning hubs to having one national transport planning hub. However, at the onset of the COVID-19 pandemic in March 2020, ALS paused the consultation over these proposals. Asda submits that ALS now wishes to re-commence the consultation over this proposal, and to also begin consulting on a potential consolidation of the training teams within ALS to create one Transport and Warehouse Training team. These proposals, if implemented, will together lead to [✂].

The CMA understands that Asda's management's decision to restart the consultation is consistent with Asda's pre-Acquisition business plans and was taken independently. The CMA therefore consents to a derogation from paragraph 6(c) of the Initial Order to permit Asda to carry out all of the necessary steps towards implementing the above-mentioned reorganisation of ALS. This consent is granted strictly on the understanding that:

- (a) The reorganization of ALS will not affect the viability or ongoing operation of the Asda business.
- (b) This derogation will not result in any integration between the Asda business and the EG business.
- (c) The reorganization of ALS will not result in changes to key staff, as defined in the Initial Order.
- (d) Should the Initial Order still be in place, the ultimate decision on whether to proceed with these changes will be made by Asda's management 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

8 April 2021