

**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:

Paragraph 6(c) of the Initial Order

Asda submits that in [✂] it proposed changes to its bakery counter operational model. The result of this change is that its bakery products, across each of its stores (as opposed to only some of its stores as is currently the case), would be delivered part baked by Asda and finished off in store. The purpose of this change is to lower costs.

Asda does not yet have a planned date to take this proposal to the Board for approval. However, once the board approves, Asda would engage in colleague consultation

before taking a final decision to proceed. If colleague consultation takes place in Q1, implementation would be likely in Q3. If consultation commences in Q2, implementation would likely take place in Q4.

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 change will not alter the nature, description, range and quality of goods supplied in the UK by Asda;
- (c) this derogation will not result in any integration between the Asda business and the EG business;
- (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