

**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 12 May 2021 requesting that the CMA consents to a derogation 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 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(i) of the Initial Order

Asda submits that Walmart Inc., Asda's previous owner, required that the regulatory compliance function within Asda reported to a Vice-President (**VP**) for Compliance, rather than directly to Asda's General Counsel and Company Secretary. Following the Acquisition, Asda was no longer obliged to retain this reporting structure. Asda submits

that it considers it preferable, and in line with UK industry-standard governance procedures, for the regulatory compliance function within Asda to report directly to Asda's General Counsel and Company Secretary. This will make the VP Compliance position redundant, and the VP Compliance role will be subsumed within the General Counsel's responsibilities.

Accordingly, the individual currently performing the role of VP Compliance will commence a six-month gardening leave period in mid-June 2021. Asda does not anticipate that this individual will have material input into the Asda business during their gardening leave period.

The CMA consents to a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit Asda's current VP Compliance to commence their gardening leave period and effectively leave the Asda business in mid-June 2021. The CMA's consent is subject to the following conditions:

- (a) Asda's General Counsel, with support from Asda's legal and compliance teams, has the relevant expertise, experience, and capacity necessary to absorb the responsibilities previously performed by Asda's VP Compliance. Accordingly, the redundancy of Asda's current VP Compliance, and of the role itself, will not impact the viability and ongoing operation of the Asda business.
- (b) Asda's current VP Compliance will ensure a smooth handover of their responsibilities to Asda's General Counsel.
- (c) This derogation will not result in any integration between the Asda business and the EG business.
- (d) 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

19 May 2021