

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

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 22 September 2021.

Completed acquisition by CVS Group plc, through its subsidiary CVS (UK) Limited (together, 'CVS') of Quality Pet Care Ltd ('Quality Pet Care'), trading as The Vet ('the Transaction').

We refer to your submissions of 27 September 2021 and 1 October 2021 requesting that the CMA consents to derogations to the Initial Enforcement Order of 22 September 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, CVS and Quality Pet Care are required to hold separate the CVS business from the Quality Pet Care business and refrain from taking any action which might prejudice a reference under section 22 of the Act 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, CVS and Quality Pet Care may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 4(a), 5(a) and 5(l) of the Initial Order

The CMA understands that upon completion of the Transaction and prior to the imposition of the Initial Order, CVS assumed responsibility for Quality Pet Care's financial back-office support function services. CVS submits that the Quality Pet Care business does not currently have any financial back-office support function services in place as these services were previously undertaken by finance staff who have all left the Quality Pet Care business since completion of the Transaction. Accordingly, CVS considers that the provision of such financial back-office support function services by CVS is necessary to ensure that employees of the Quality Pet Care business can continue to be paid their salaries, supplier invoices can be processed and paid and all other necessary finance functions of Quality Pet Care can be performed.

CVS has therefore requested a derogation from paragraphs 4(a), 5(a) and 5(l) of the Initial Order to enable the following CVS personnel to continue to provide certain financial back-office support function services to Quality Pet Care, namely the

management of accounts payable, the accounts package, management accounts production and quarterly VAT compliance and the treasury function (together, the **Back-Office Finance Support Services**) during the CMA's review of the Transaction:

- [X] – Senior Management Accountant
- [X] – Integration Accountant
- [X] – Assistant Treasury Accountant
- [X] – Senior Accounts Payable Clerk

(together, the **Named Individuals**),

CVS further submits that the contemplated actions under this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decisions on a reference.

The CMA consents to a derogation from paragraphs 4(a), 5(a) and 5(l) of the Initial Order to enable Quality Pet Care to share certain information with CVS to enable CVS to continue to provide the Back-Office Finance Support Services to Quality Pet Care. This derogation is granted strictly on the basis that:

- i. information received by the Named Individuals regarding the Quality Pet Care business will be limited to that which is strictly necessary to enable the Named Individuals to effectively perform the Back-Office Finance Support Services, and will be limited to: (a) cash sheets of the Quality Pet Care practices, (b) supplier invoices approved by the Quality Pet Care practices for payment, (c) details of customer accounts which need to be sent to debt collection agency, (d) information on insurance/debt monies receipts, (e) information available as a result of access to Quality Pet Care's bank account, (f) National Veterinary Services supplier invoices, (g) monthly salary data, (h) monthly credit card statements, and (i) information strictly necessary to enable the Named Individuals to prepare monthly management accounts (the **Financial Information**);
- ii. the Financial Information will only be provided to the Named Individuals for whom it is strictly necessary to see the Financial Information to provide the Back-Office Finance Support Services;
- iii. IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised CVS individuals that are not the Named Individuals from accessing Financial Information shared with the Named Individuals for the purposes of this derogation;
- iv. the Named Individuals do not hold a commercial or strategic role within the CVS business;

- v. the financing support and processing of invoices and payments that will take place as part of the Back-Office Finance Support Services will be using Quality Pet Care's pre-existing finance software system, [X];
- vi. no changes to the Named Individuals can take place without the prior written consent of the CMA (which can be provided via email);
- vii. the Named Individuals will enter into non-disclosure agreements in a form to be agreed with the CMA; and
- viii. should the Transaction be prohibited, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from the Quality Pet Care business for the purposes of this derogation will be returned to the Quality Pet care business (and/or where relevant transferred to a new purchaser of the Quality Pet Care business) and any copies destroyed, except to the extent that record retention is required by law or regulation.

Yours sincerely,

Elie Yoo

Assistant Director, Mergers

5 October 2021