

**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 1 February 2021.**

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

We refer to your submissions of 25 June 2021, 3 August 2021, 29 September 2021, 8 October 2021 and 14 October 2021 requesting that the CMA consents to a derogation to the Initial Enforcement Order of 1 February 2021 (the '**Initial Order**'). The terms defined in the Initial Order and the derogations granted on 1 February 2021 have the same meaning in this letter except that the term 'Suez UK business' has the same meaning as defined in the CMA's Revocation Letter of 19 March 2021. Further, in this letter:

**Completion** refers to the completion of the anticipated public takeover by Veolia of the remaining share capital in Suez.

**Merger Agreement** refers to the agreement between Veolia Environnement S.A. ('**Veolia**') and Suez S.A ('**Suez**') signed on 14 May 2021, under which the parties agreed to combine their two businesses, subject to various terms and conditions.

Under the Initial Order, save for written consent from the CMA, Veolia and Veolia UK Limited ('**Veolia UK**') are required to hold separate the Veolia business from the Suez 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, Veolia, Veolia UK and Suez UK may carry out the following actions, in respect of the specific paragraphs:

- 1. Paragraphs 4(a), 5(a), 5(c), 5(l), 7(a), 7(c) and 7(l) of the Initial Order**

In accordance with the Merger Agreement, Veolia wishes to exercise limited oversight of the commercial activity of Suez to ensure that Suez is maintained as a going concern prior to Completion, and operated in the ordinary way, consistent with past practice, so as to preserve the value of the Suez UK business prior to Completion and during the course of the CMA's investigation.

Veolia has therefore sought CMA consent to require the Suez UK business to seek approval from designated individuals within Veolia to proceed with certain courses of action. The requirement to seek such approval from Veolia is strictly limited to the items listed in Annex 1.

The CMA consents to a derogation from paragraphs 4(a), 5(a), 5(c),5(l), 7(a), 7(c) and 7(l) of the Initial Order, strictly on the basis that:

- (i) escalation of matters for approval by Veolia will only be escalated to [X] and [X] who do not hold commercial or strategic roles within the Veolia UK business. Should it be strictly necessary, [X] and [X] are permitted to discuss escalations made by Suez with [X] (together, the '**Designated Individuals**') who does not hold a commercial or strategic role within the Veolia UK business;
- (ii) information shared with the Designated Individuals shall be limited to that which is strictly necessary to allow Veolia to take a decision on the request (as outlined in Annex 1). For the avoidance of doubt, such information shall not include any commercially-sensitive information of the Suez UK business unless the CMA provides its prior written consent to share such commercially-sensitive information (which can be provided via email);
- (iii) the Designated Individuals will not seek to change the proposals made by the Suez UK business under the matters for escalation, or seek to substitute their judgment with that of the Suez UK business;
- (iv) the Designated Individuals will enter into a confidentiality undertaking in a form approved by the CMA;
- (v) the CMA will be notified of any requests made by the Suez UK business to Veolia and at its request, the CMA will be provided with a summary of the information shared by the Suez UK business with the Designated Individuals for the purposes of the escalation;
- (vi) the CMA will be notified in advance of any proposed veto by Veolia of any Suez UK business matters for escalation, and the reasons for this in advance of any such veto being exercised;

- (vii) firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within Veolia from accessing the information shared with the Designated Individuals for the purposes of this derogation;
- (viii) should the Merger be prohibited or the Suez UK business be divested (or part thereof divested), Veolia will ensure that any confidential information received from the Suez UK business (or the relevant part thereof) for the purposes of this derogation will be returned to the Suez UK business and any copies destroyed, except to the extent that record retention is required by law or regulation;
- (ix) the Suez UK business will notify the CMA if the limits set out in this derogation do not allow the Suez UK business to carry out its day-to-day functions without the interference of Veolia; and
- (x) the limits set out in this derogation will be subject to CMA review and the CMA may revise the thresholds in writing (including via email) if it deems necessary for the Suez UK business to conduct its day-to-day business independently of Veolia.

**20 October 2021**