

**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 submission of 20 September 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 5(c) and 5(i) of the Initial Order

Based on information provided to the CMA by CVS and Quality Pet Care, the CMA understands that following completion of the Transaction, the following CVS individuals were appointed to the Quality Pet Care board of directors (the '**Board**'): [X] (Chief Executive Officer), [X] (Chief Financial Officer), [X] (Chief Operating Officer) and [X] (Head of Finance).

In order to ensure the ongoing and independent operation of the Quality Pet Care business, CVS is seeking a derogation from the Initial Order to:

- (a) permit [X] (the '**Outgoing Directors**') [X], so as to enable the Hold Separate Manager of Quality Pet Care, [X], and, subsequently to;
- (b) implement the following changes to the Board:

- the resignation of the Outgoing Directors from the Board;
- the removal of [X] (former Chair of Quality Pet Care) and [X] (former Chief Operating Officer of Quality Pet Care) from the Board, both of whom left the Quality Pet Care business shortly following completion of the Transaction;
- the removal of [X] from the Board, who left the CVS business in September 2021; and
- the appointment of [X] as sole Director on the Board in order to manage the Board's responsibilities while the Initial Order is in force.

CVS submits that the Board is not involved in the day-to-day commercial or strategic operation of the Quality Pet Care business, and hence [X] will be able to take on the responsibility of the Outgoing Directors without affecting the continuing viability of the Quality Pet Care business.

The CMA consents to a derogation from paragraphs 5(c) and 5(i) of the Initial Order permitting the above changes, strictly on the basis that:

- i. this derogation will not affect the ongoing operation of the Quality Pet Care business and will preserve its viability and ability to compete independently;
- ii. [X] will have all required powers and authority to take all necessary action in respect of the continued operation of the Quality Pet Care business;
- iii. the Outgoing Directors will enter into non-disclosure agreements in a form to be agreed with the CMA;
- iv. IT firewalls and/or other ring-fencing measures will be put in place to prevent the Outgoing Directors from accessing or using information of the Quality Pet Care business which was shared with them prior to the imposition of the Initial Order;
- v. this derogation will not lead to any integration of the CVS and Quality Pet Care businesses;
- vi. 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; and
- vii. 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 by the Outgoing Directors from the Quality Pet Care business prior to the imposition of the Initial Order, 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,

Alex Knight

Assistant Director, Remedies, Business and Financial Analysis

22 October 2021