

**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 (the ‘Act’) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (‘CMA’) on 26 May 2021.

Completed acquisition by CHC Group LLC (‘CHC’) from Babcock International Group plc (‘Babcock’) of the oil and gas offshore crew transportation service business of Babcock (‘Babcock Offshore’) (the ‘Acquisition’). CHC and Babcock Offshore together are referred to as the ‘Parties’.

We refer to your submissions of 22 September and 26 October 2021 requesting that the CMA consents to derogations from the Initial Enforcement Order of 26 May 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, CHC Group LLC, EEA Helicopter Operations B.V., CHC Scotia Limited, Babcock Mission Critical Services Offshore Limited, Babcock Offshore Services Australasia Pty Ltd and Babcock Denmark A/S (the ‘**Addressees**’) are required to hold separate the Babcock Offshore business from the CHC 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, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(a), 6(b), 6(g) and 6(l) – Parent company guarantees for new contracts

The Parties submit that, should Babcock Offshore wish to enter into a new contract with a customer and/or other suppliers, or enter into a new lease agreement with a lessor, it may be necessary for CHC to provide a parent company guarantee (‘**PCG**’). As such, the Parties submit that a process needs to be put in place to enable (i) Babcock Offshore to

request a PCG from CHC; (ii) CHC to act as parent guarantor, and (iii) CHC to receive information from Babcock Offshore that is strictly necessary to provide the required PCGs while the Initial Order is in force.

The CMA consents to a derogation from paragraphs 6(a), 6(b), 6(g) and 6(l) of the Initial Order to permit (i) Babcock Offshore to request a PCG from CHC; (ii) CHC to act as parent guarantor, and (iii) CHC to receive information from Babcock Offshore that is strictly necessary to provide the required PCGs.

The CMA consents to this derogation strictly on the basis that:

- (a) The Babcock Offshore information provided to CHC will be limited to what is strictly necessary for CHC to arrange for and enter into new PCGs.
- (b) Information will only be provided to CHC personnel listed in Annex 1 for whom it is strictly necessary to see Babcock Offshore information to arrange for and enter into new PCGs.
- (c) The individuals listed in Annex 1 shall enter into non-disclosure agreements in a form approved by the CMA.
- (d) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within CHC from accessing the information shared with the individuals listed in Annex 1 for the purposes of this derogation.
- (e) No changes to the individuals listed in Annex 1 are permitted without the prior written consent of the CMA (including via email).
- (f) Prior to such a decision being communicated to Babcock Offshore, CHC will inform the CMA of any instances in which it is proposed that a PCG request from Babcock Offshore would be denied.
- (g) Should the Acquisition be prohibited or if CHC is required to divest all, or part of, the Babcock Offshore Business, CHC will ensure that 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 Babcock Offshore for the purposes of this derogation will be returned to Babcock Offshore and any copies destroyed, except to the extent that record retention is required by law or regulation.

2. Paragraphs 6(g) and 6(l) – Exchange between the Parties of know your customer and corporate reporting information

The Parties submit that it is necessary for (i) CHC to provide Babcock Offshore with information about CHC to enable Babcock Offshore to comply with ‘know your customer’ (**‘KYC’**) requirements and other regulatory, tax and/or corporate obligations; and (ii) Babcock Offshore to provide CHC with information about Babcock Offshore to enable CHC to comply with regulatory, tax and/or corporate reporting obligations.

Information shared for KYC purposes would include, but not be limited to, details on CHC’s corporate group and information about the depository trust company that sits at the top of the CHC corporate group. Information shared to ensure compliance with regulatory, tax and corporate reporting obligations will include, but not be limited to, minutes showing changes in directors and information relating to the requirements of the Civil Aviation Authority.

The CMA consents to a derogation from paragraphs 6(g) and 6(l) of the Initial Order to permit (i) Babcock Offshore to receive information from CHC that is strictly necessary to complete KYC checks and/or comply with regulatory, tax and/or corporate obligations; and (ii) CHC to receive information from Babcock Offshore that is strictly necessary to comply with regulatory, tax and/or corporate reporting requirements.

The CMA consents to this derogation strictly on the basis that:

- (a) The CHC information provided to Babcock Offshore will be limited to what is strictly necessary for Babcock Offshore to comply with KYC requirements, and/or regulatory, tax and/or corporate reporting obligations. Similarly, the Babcock Offshore information provided to CHC will be limited to what is strictly necessary for CHC to comply with its regulatory, tax and/or corporate reporting requirements.
- (b) Such information provided by CHC will only be provided to the Babcock Offshore personnel listed in Annex 2 for whom it is strictly necessary to see CHC information. Similarly, such information provided by Babcock Offshore will only be provided to the CHC personnel listed in Annex 2 for whom it is strictly necessary to see Babcock Offshore information to comply with regulatory and corporate reporting requirements.
- (c) The individuals listed in Annex 2 shall enter into non-disclosure agreements in a form approved by the CMA.
- (d) IT firewalls and/or other ring-fencing measures will be put in place to prevent any

unauthorised individuals within Babcock Offshore or CHC respectively from accessing the information shared with the individuals listed in Annex 2 for the purposes of this derogation.

- (e) No changes to the individuals listed in Annex 2 are permitted without the prior written consent of the CMA (including via email).
- (f) Should the Acquisition be prohibited or if CHC is required to divest all, or part of, the Babcock Offshore business, Babcock Offshore will ensure that 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 CHC for the purposes of this derogation will be returned to CHC and any copies destroyed, except to the extent that record retention is required by law or regulation. Similarly, in such circumstances, CHC will ensure that 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 Babcock Offshore for the purposes of this derogation will be returned to Babcock Offshore and any copies destroyed, except to the extent that record retention is required by law or regulation.

3. Paragraphs 6(c), 6(i) and 6(k) – Babcock Offshore key staff changes

Babcock Offshore submits that the Babcock Offshore UK [REDACTED] and the Babcock Offshore Denmark [REDACTED] handed in their resignations on [REDACTED] and [REDACTED] respectively. It is expected that [REDACTED] will leave the Babcock Offshore UK business on 31 October 2021, while [REDACTED] will leave the Babcock Offshore Denmark business on 31 December 2021. The CMA understands that [REDACTED] decision to resign was tied to [REDACTED] long-term career goals [REDACTED]. The CMA also understands that [REDACTED] decision to resign was tied to a long-term personal ambition [REDACTED].

Babcock Offshore further submits that a candidate for the UK [REDACTED] role will be selected. Babcock Offshore also submits that the Denmark [REDACTED]. The candidate for this role is [REDACTED], an experienced [REDACTED] candidate [REDACTED].

Separately, Babcock Offshore submits that in advance of completion on 31 August 2021, [REDACTED].

The CMA consents to a derogation from paragraphs 6(c), 6(i) and 6(k) of the Initial Order

to permit:

- (i) [X] to leave the Babcock Offshore UK business;
- (ii) a replacement for [X] to become Babcock Offshore UK [X];
- (iii) [X] to leave the Babcock Offshore Denmark business;
- (iv) [X] to become Babcock Offshore Denmark [X];
- (v) Babcock Offshore Australia to [X]; and
- (vi) [X] to become [X] for Babcock Offshore Australia.

The CMA consents to this derogation strictly on the basis that:

- (a) The above staffing changes will not have any impact on the ability of Babcock Offshore to compete independently of CHC.
- (b) Babcock Offshore will have sufficient staff available with the necessary experience and expertise to absorb the responsibilities of any departing staff, and will carefully assess on an ongoing basis the need for new staff to be appointed.
- (c) The candidate selected for the UK [X] role will have the necessary experience and expertise for the role.

4. Paragraphs 6(c) and 6(i) – Restructuring of the board of Babcock Offshore Denmark

Pursuant to a derogation granted by the CMA on 27 August 2021, Babcock Offshore Denmark made [X] the sole member of its executive board. At the same time, Babcock Offshore Denmark changed the composition of its board of directors to [X].

Babcock Offshore submits that [X]. Babcock Offshore also submits that [X] should replace [X] as chairman in order to enable [X].

The CMA consents to a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit:

- (i) [X] to replace [X] as the sole executive board member of Babcock Offshore Denmark; and
- (ii) [X] to be appointed as the chairman of the board of directors of Babcock

Offshore Denmark.

The CMA consents to this derogation strictly on the basis that:

- (a) The above staffing changes will not have any impact on the ability of Babcock Offshore to compete independently of CHC.

5. Paragraphs 6(c) and 6(i) – Changes to the boards of directors of certain CHC subsidiaries

CHC submits that immediately prior to completion, [X] step down as [X] of CHC and was replaced by [X]. [X] remains a director of the CHC subsidiaries listed in Annex 3 as [X] and [X] is still [X]. CHC plans to make [X] the director of each of the entities listed in Annex 3 and it is seeking the CMA's consent to permit this.

The CMA consents to a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit the above. The CMA consents to this derogation strictly on the basis that:

- (a) The director changes set out above will have no operational impact on the CHC business.
- (b) [X] has the expertise and experience necessary to fulfil each of the responsibilities previously held by [X] as a board member of each of the entities in Annex 3.

These derogations shall not prevent any remedial action which the CMA may need to take regarding the Acquisition. These derogations will not result in any integration between the Babcock Offshore business and the CHC business.

Yours sincerely,

Lasse Burmester

Assistant Director, Mergers

27 October 2021

Annex 1

[REDACTED].

[REDACTED].

[REDACTED].

Annex 2

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

[REDACTED].

Annex 3

Entity	Role(s)
6922767 Holding S.À R.L.	[REDACTED]
CHC Asset Holding Cayman Ltd	[REDACTED]
CHC Cayman ABL Borrower Ltd	[REDACTED]
CHC Cayman ABL Holdings Ltd	[REDACTED]
CHC Cayman ABL Parent Ltd	[REDACTED]
CHC Cayman Borrower II Limited	[REDACTED]

CHC Cayman Borrower III Limited	[X]
CHC Cayman Investments I Ltd	[X]
CHC Cayman Investments II Ltd	[X]
CHC Finance Ltd	[X]
CHC Global Operations (2008) ULC	[X]
CHC Global Operations International Ltd	[X]
CHC Group LLC	[X]
CHC Helicopter (1) S.à r.l	[X]
CHC Helicopter (2) S.à r.l	[X]
CHC Helicopter (3) S.à r.l	[X]
CHC Helicopter (4) S.à r.l	[X]
CHC Helicopter (5) S.à r.l	[X]
CHC Helicopter (6) S.à r.l	[X]
CHC Helicopter Guaranty (U.S.) LLC	[X]
CHC Helicopter Holding (Cayman) Limited	[X]
CHC Helicopter Holding S.à r.l	[X]
CHC Helicopter Support Services (US) Inc	[X]
CHC Leasing S.à r.l	[X]
CHC Norway Acquisition Co AS	[X]
Heli-One American Support LLC	[X]
Heli-One Canada ULC	[X]
Heli-One Leasing (Norway) AS	[X]
Heli-One Leasing ULC	[X]
Heli-One (U.S.) Inc	[X]
Integra Leasing AS	[X]