

**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 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 communications with the Monitoring Trustee on 26 and 29 November 2021 on behalf of Quality Pet Care; and to your submissions of 9 December 2021 and 15 December 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 the request for a derogation from the Initial Order, based on the information received from the Monitoring Trustee 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. Paragraph 5(i) of the Initial Order

The Hold-Separate Manager of the Quality Pet Care business (the '**HSM**') submits that there are currently a number of vacancies for key staff roles within the Quality Pet Care business. The key staff vacancies as at the date of this derogation are set out in Annex 1 to this derogation consent letter.

The CMA understands that while the Quality Pet Care business is addressing the key staff vacancies on an interim basis through locum and existing staff cover, it is the HSM's intention to hire suitable permanent replacements for these key staff

roles. In this regard, the CMA understands that Quality Pet Care is undertaking a recruitment process (independently of CVS) to fill the key staff vacancies.

In order to ensure the ongoing operation of the Quality Pet Care business, Quality Pet Care is seeking a derogation from the Initial Order to make changes to its key staff and ensure the timely appointment of key staff in critical positions.

The CMA consents to a derogation from paragraph 5(i) of the Initial Order permitting the Quality Pet Care business to appoint key staff to the positions outlined in Annex 1, strictly on the basis that:

- (i) Quality Pet Care has represented that for each key staff member that resigned since the imposition of the Initial Order, it has taken all reasonable steps to encourage their retention within the Quality Pet Care business (and details of the retention arrangements have been provided to the CMA);
- (ii) prior to the appointment of a permanent replacement, interim arrangements will continue in force for each key staff vacancy such that there will be no disruption to the ongoing operation and viability of the Quality Pet Care business;
- (iii) once a candidate has been identified by Quality Pet Care to fill a key staff vacancy (as listed in Annex 1) on a permanent basis ([X]), Quality Pet Care will:
 - a. provide the CMA, in writing, with the following information:
 - [X];
 - [X] an explanation as to why the candidate has the necessary skills and experience to fulfil the responsibilities of the key staff position in question;
 - Confirmation that the candidate has no ongoing financial or non-financial interests in CVS (or details of any interest in CVS will otherwise be provided to the CMA); and
 - Confirmation that the candidate has been recruited and selected by Quality Pet Care, independently of CVS;
 - b. [X].
- (iv) all appointments of key staff made by Quality Pet Care pursuant to this derogation will ensure:

- a. the ongoing operation of the Quality Pet Care business, and that its viability and ability to compete independently of CVS is maintained;
 - b. the independence of the Quality Pet Care business from CVS;
- (v) other than the key staff vacancies set out in Annex 1, no other key staff changes will be made within Quality Pet Care as a result of this derogation;
- (vi) this derogation will not lead to any integration of the CVS and Quality Pet Care businesses; and
- (vii) 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 decision on a reference.

Yours sincerely,

Alex Knight

Assistant Director, Remedies, Business and Financial Analysis

20 December 2021

Key staff vacancies – Quality Pet Care

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