

**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 20 December 2021.**

**Acquisition by Veolia Environnement S.A. of Suez S.A. (the 'Transaction').**

We refer to your emails dated 14 and 17 December 2021 requesting that the CMA consents to a derogation to the initial enforcement order of 1 February 2021 and subsequently to the Initial Enforcement Order of 20 December 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 from the CMA, Veolia Environnement S.A. ('**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 33 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 the conclusions set out in a report prepared for the CMA by the Monitoring Trustee on 17 February 2022, and in the particular circumstances of this case, Veolia and Veolia UK may carry out the following actions, in respect of the specific paragraphs:

**1. Paragraphs 5 and 6 of the Initial Order**

Veolia is requesting a derogation from the Initial Order to integrate with Suez's businesses outside of the UK, except Suez's global Water Treatment Services business (the '**Suez Global WTS Business**'). Suez's businesses which are outside of the UK and are not part of the Suez' Global WTS Business, which Veolia proposes to integrate with Veolia, are referred to as the '**Relevant Suez Non-UK Business**'.

The Relevant Suez Non-UK Business comprises the following business units ('**BUs**') – a brief description of each BU's business activities is set out in Annex 1:

[X]

Veolia submits that the activities of the Relevant Suez Non-UK Business are unrelated to the Suez UK waste business and therefore Veolia's integration with the Relevant Suez Non-UK Business will not affect the Suez UK waste business's competitive offering or potential remedies that can be considered by the CMA.

Veolia also submits that the Relevant Suez Non-UK Business's BUs have no material connections to the functions of the Suez UK waste business, and that:

- a) the Relevant Suez Non-UK Business does not have any UK-related activities and does not provide any services to the Suez UK waste business;
- b) the Relevant Suez Non-UK Business does not share assets with the Suez UK waste business; and
- c) the Relevant Suez Non-UK Business does not share customer or supplier contracts or relationships with the Suez UK waste business [REDACTED].

Veolia proposes the following steps for integrating the Relevant Suez Non-UK Business into the Veolia business (**'Veolia's Integration Plan'**):

- a) [REDACTED]
- b) [REDACTED]
- c) [REDACTED]
- d) [REDACTED]
- e) [REDACTED]
- f) [REDACTED]
- g) [REDACTED]

The CMA also understands that:

- a) there are a number of [REDACTED];
- b) [REDACTED]; and
- c) some [REDACTED] support have in the past been provided to the Suez UK waste business from the Suez group [REDACTED].

The CMA notes the submissions made by both Veolia and Suez in relation to the impact of preventing the integration of the Relevant Suez Non-UK Business, including the submissions that: the New Suez Acquisition has resulted in two independent businesses competing under the same Suez brand and using the same email server ([suez.com](mailto:suez.com) addresses), which is creating significant confusion for customers; and that in some jurisdictions it could be illegal for Veolia and the Relevant Suez Non-UK Business to both submit bids.

On the basis of the above, and in particular Veolia's representations that the Relevant Suez Non-UK Business has no material connections to the functions of the Suez UK waste business and that this derogation does not undermine the CMA's ability to impose effective remedies, the CMA consents to a derogation under paragraphs 5 and 6 of the Initial Order to permit Veolia to integrate with the Relevant Suez Non-UK Business strictly subject to the following conditions (which may only be amended with the prior written consent of the CMA, including by email):

- a) for the avoidance of doubt, this derogation does not permit: (i) any integration with Veolia of the '**Suez UK business**' (as defined in the Initial Order) and/or the Suez Global WTS business, which shall continue to remain subject to the Initial Order; (ii) any further integration with Veolia of the Retained Suez HQ Staff (unless approved under condition (f) below); and (iii) further changes to the New Suez TSA (unless approved under condition (f) below);
- b) the derogation does not permit any integration with, or transfer to, Veolia of the [X] and prior to the implementation of any integration with Veolia, the BUs of the Relevant Suez Non-UK Business shall cease to have any access to [X]
- c) to the extent that post-integration with Veolia, any of the BUs of the Relevant Suez Non-UK Business requires access to [X] Veolia should submit a separate derogation request explaining why this is strictly necessary;
- d) Veolia undertakes to provide the Monitoring Trustee as soon as reasonably practicable with:
  - a. a high-level summary of Veolia's Integration Plan (including the timescales involved for Veolia's plans: [X] and

- b. the details of any steps or actions (including those already undertaken) which may have an impact on the Suez UK business, Suez Global WTS Business, [X]
- e) the Monitoring Trustee will review the Veolia Integration Plan provided under condition (d) above and report to the CMA on: (i) the impact of Veolia's Integration Plan on the Suez UK business, Suez Global WTS Business, [X] (ii) any issues and risks which the Monitoring Trustee identifies (including in respect of safeguarding confidential information relating to the Suez UK business and the Suez Global WTS Business) and the Monitoring Trustee's recommendations for mitigating these risks; and (iii) the Monitoring Trustee's recommendations in relation to how [X] can be appropriately preserved and held separate from Veolia and the Relevant Suez Non-UK Business;
- f) Veolia and Suez shall not make any changes to the services provided to the Suez business by the New Suez TSA and by the Retained Suez HQ staff except with the prior written consent of the CMA (including by email);
- g) if any evidence that subsequently becomes available to the CMA raises serious doubts about the basis upon which this derogation is granted, and to the extent the CMA considers it necessary for the purpose of preventing pre-emptive action, the CMA reserves the right to require Veolia: [X]
- h) Veolia undertakes to keep and maintain an up-to-date record of the integration with Veolia of the assets of the Relevant Suez Non-UK Business (which shall be made available to the CMA and/or the Monitoring Trustee on request); and
- i) Veolia will refrain from taking any action under this derogation which may: (i) cause disruption to the Suez UK business; (ii) affect the structure, assets and management of the Suez UK business; and (iii) undermine the ability of the Suez UK business to compete effectively in the relevant markets.

The derogation is without prejudice to the Inquiry Group's decision on whether the Merger gives rise to a substantial lessening of competition in the UK or whether any remedies are required. The derogation is also without prejudice to any decisions the Inquiry Group may take with respect to the composition of any remedies package, if required, including the possibility that any remedies package might include assets subject to this derogation.

Tim Geer

Director, Mergers

10 March 2022

## Annex 1

### Business activities of the Relevant Suez Non-UK Business

	Business activities by BU
[✂]	[✂]