

**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 letter dated 28 March 2022 requesting that the CMA consents to a derogation 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 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

On 17 January 2022, a derogation was granted to permit Suez head office staff who formed part of the Suez business acquired by Veolia under the Transaction (the '**Retained Suez HQ Staff**'), to transfer to Veolia's headquarters for the purpose of supporting the retained Suez business held separate from Veolia.

Veolia submits that in May 2021, Veolia and Suez signed a Merger Agreement agreeing that senior Suez executives would join Veolia's senior management team, and that under this agreement, [X] was to: (a) replace Veolia's current [X] upon the closing of the transaction; and (b) join [X]. Veolia submits that as a result of the requirement to hold-separate the Suez business, this appointment had been delayed.

Veolia is seeking CMA approval to integrate [X] fully into Veolia – including [X] appointment to the role of [X] and to the [X].

Veolia submits that [X]:

- a) predominantly supports the Suez Non-UK Business, which has now been integrated with Veolia, but also provides occasional ad hoc support to the Suez WTS business; and
- b) does not provide ongoing support for the Suez UK Waste Business, which is managed by its own independent [X].

Veolia submits that:

- a) the Suez WTS business has its own [X] and [X]; and
- b) the Suez UK waste business – which has its own [X] and [X] – does not require any ongoing support from [X] integration with Veolia therefore cannot affect the viability of the Suez UK Waste Business.
- c) Integrating [X] would have no effect on any potential CMA remedy in the event that a full or partial divestment of the Suez UK waste business or the Suez WTS business is required. As [X] does not provide any significant support to the Suez WTS business or the Suez UK waste business, there is no realistic prospect that [X] would be included in any divestment business.

The CMA also understands from Suez that:

- a) [X] no longer provides any support to either the Suez WTS business or the Suez UK waste business because there is no more support to provide; and
- b) the Suez WTS business and the Suez UK waste business have the necessary capabilities to undertake these tasks internally while the Initial Order remains in force and that they each have their own [X] and can be fully autonomous.

On the basis of Veolia's and Suez's representations above, the CMA consents to a derogation from paragraphs 5 and 6 of the Initial Order to permit Veolia to take steps to integrate [X] into the Veolia business, including [X] appointments to the role of [X] and to the [X], strictly subject to the following conditions (which may be amended only with the prior written consent of the CMA, including by email):

- a) prior to [X] transfer to Veolia and [X] new role appointments at Veolia, [X] shall cease to have any role (in any capacity), responsibility or links in relation to either the Suez WTS business or the Suez UK waste business (this derogation will be revoked if this condition is breached);

- b) [X] enters into an NDA in a form approved by the CMA preventing [X] disclosure or use of any confidential information relating to the Suez WTS business or the Suez UK waste business;
- c) this derogation will not have any effect on the Suez UK waste business or the Suez WTS business; and
- d) this derogation will have no effect on any potential CMA remedy in the event that a full or partial divestment of the Suez UK waste business or the Suez WTS business is required.

For the avoidance of doubt, Veolia should seek its own legal advice in relation to whether Veolia requires separate consent from the European Commission under Veolia's remedy commitments to the European Commission in respect of the actions permitted under this derogation.

Tim Geer

Director, Mergers

13 April 2022