

**ANTICIPATED ACQUISITION OF MEGGITT PLC BY PARKER-HANNIFIN**  
**NOTICE OF PROPOSED UNDERTAKINGS OFFERED BY MEGGITT PLC AND**  
**PARKER-HANNIFIN (THE PARTIES)**

**Views are sought by 11:45pm on 13 July 2022 on the attached undertakings which are designed to mitigate public interest concerns in relation to the interests of national security raised by the proposed merger.**

**Intervention under the Enterprise Act 2002**

1. On 18 October 2021, the Secretary of State for Business, Energy and Industrial Strategy (“the Secretary of State”) issued a public interest intervention notice under section 42(2) of the Enterprise Act 2002 (“the Act”) in relation to the proposed acquisition by Parker-Hannifin of the entire issued and to be issued ordinary share capital of Meggitt plc (“Meggitt”) (“the merger”). Under section 44 of the Act, the Secretary of State instructed the Competition and Markets Authority (“CMA”) to investigate the proposed acquisition and to report its findings by 18 March 2022.
2. On 18 March 2022, the CMA reported to the Secretary of State. The report set out the CMA’s belief that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, and summarised the representations it received relating to the national security public interest consideration specified in the intervention notice.
3. The Secretary of State received further advice directly from the Secretary of State for Defence about the national security implications of the merger.
4. In light of the report from the CMA and advice from the Ministry of Defence, the Secretary of State considers that he has the power, under section 45 of the Act, to refer the merger to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 to carry out a more detailed assessment. This is termed a “phase 2 inquiry”.
5. Alternatively, if the Secretary of State would otherwise be minded to refer the merger to a phase 2 inquiry, he may accept undertakings from the parties in lieu of such a reference to mitigate public interest concerns, under paragraph 3 of Schedule 7 to the Act.

**Public interest concerns**

6. The Secretary of State considers that the following risks are raised by the merger.

- a. **Security of Supply.** Meggitt supplies products and services which are important to the delivery of HM Government's outputs. There is a risk that Meggitt's new owners have different priorities, leading to a failure to meet existing contractual commitments to supply components for UK Ministry of Defence platforms which may cause a disruption to UK defence capability
- b. **Information Security.** Structural changes to the Meggitt business could lead to a breach of the conditions established under Facility Security Clearance arrangements which regulate the handling of sensitive UK government information, or a failure to abide by legal obligations around such information, which may place certain MOD capabilities at risk.
- c. **Sovereign UK Capabilities.** The acquisition could lead to the introduction of personnel, IP, skills or knowhow which would cause products that are currently free from US International Traffic in Arms Regulations (ITAR) to become affected by ITAR restrictions. There is a risk that such restrictions might lead to a loss of UK 'freedom of operation' relating to certain critical capabilities.

### **Proposed undertakings**

7. The parties have offered undertakings designed to mitigate the public interest concerns. These would:
  - a. **Security of Supply.** Ensure that Parker will commit to honouring existing contracts while they are in place and will notify the MOD in advance if there is a material change to Meggitt's ability to supply the MOD.
  - b. **Information Security.** Reinforce the commitment to existing List X / Facility Security Clearance site security arrangements protecting sensitive HM Government information in Meggitt, including a requirement to retain a majority of the Board of Directors of Meggitt as UK nationals resident in the UK.; and
  - c. **Sovereign UK Capabilities.** Require Parker-Hannifin to institute an HM Government-approved control plan to prevent International Traffic in Arms Regulations controls applying to ITAR-free products designed and manufactured by Meggitt. The undertakings would allow the MOD to add new technology to future-proof the remedy.
8. The Secretary of State considers that the proposed undertakings would mitigate the national security risks identified to an acceptable level and therefore proposes to accept the undertakings instead of making a reference to a phase 2 inquiry.
9. The Secretary of State now publishes the proposed undertakings for consultation and will consider any representations made before making a decision about whether to accept the undertakings.

### **Consultation responses**

10. Views are sought by **11.45pm on 13 July 2022**. Responses should be sent to [meggitt-parker-NS.consultation@beis.gov.uk](mailto:meggitt-parker-NS.consultation@beis.gov.uk).

### **Disclosure, Confidentiality and Data Protection**

11. We may publish non-confidential versions of the responses received on the GOV.UK website and may also refer to them in any response to the consultation, or in further publications related to the Secretary of State's decisions. We would be grateful if you would indicate in your response whether you would be content for your response to be published and submit a non-confidential version for publication highlighting any redactions you wish to make. It would also be helpful if you would indicate whether you are content for your name and/or the name of your organisation to be published either alongside your response, or if not, as having responded to the consultation.

12. All responses and personal data will be processed in compliance with the Data Protection Act 2018 and the General Data Protection Regulation. More information on disclosure, confidentiality and data protection is set out in the Privacy Notice associated with this consultation.

### **Related information**

13. All documents published by the Department in relation to the proposed merger are available at: <https://www.gov.uk/government/consultations/proposed-acquisition-of-meggitt-plc-by-parker-hannifin-draft-public-interest-undertakings>

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