

**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 17 May 2022

**ACQUISITION BY GXO LOGISTICS, INC. (GXO) of CLIPPER LOGISTICS PLC
(Clipper)**

Dear Josh Chamberlain,

We refer to your letter dated 17 June 2022 requesting that the CMA consents to derogations to the Initial Enforcement Order of 17 May 2022 (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, the Acquirer Group and its subsidiaries are required to hold separate the Acquirer Group business from the business of Clipper and its subsidiaries and refrain from taking any action which might prejudice a reference under section 22 or 33 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, GXO and Clipper may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(c) and 6(i) of the Initial Order

GXO has requested a derogation from paragraphs 6(c) and 6(i) of the Initial Order in order to make changes to the management structure within GXO's [X] teams in order to enable GXO functions to provide a more focused support to the business and to support the integration planning process.

The CMA understands that the structural change will mean that the previous two broader European management roles, namely: [X] and [X], will be replaced by four new management positions; two focused on [X] and two focused on [X] (i.e., two additional roles in total) in order to provide enhanced and more focused coverage as compared with the previous two roles which covered [X].

The CMA understands that the changes to GXO's management structure (including key staff) reflect GXO's pre-merger business plans (in relation to [X]), including aligning with [X]¹.

The CMA understand that the changes that would take place to the various roles within the [X] teams (together, the [X]) to support the new structure are as follows:

[X]

- (a) [X], currently, [X], will transition to [X] (where he would continue to [X]). Post integration, he will [X] in addition to his existing role.
- (b) [X], currently, [X]², will transition to [X]³, and will act in the interim as the lead for [X], temporarily reporting to [X]⁴. Once a permanent [X] for [X] is appointed, [X] will continue to lead all [X].

[X]

- (c) [X], currently, [X], [X], will transition to [X] and will continue [X]. [X] will continue to [X] until a new appointment was made to head up this region.

GXO submits that each individual listed at (a)-(c) above has the necessary capacity and experience to take on the required responsibilities and effectively fulfil their role, not least, by virtue of their existing roles (as described) within the GXO business.

The CMA understands that (as referenced in (b) and (c) above, GXO intends to newly appoint (i) a [X] and (ii) a [X] (together the **New Appointment Roles**) and that GXO will recruit experienced candidates with the necessary capacity and experience to take on the required responsibilities and effectively fulfil each of these roles respectively.

GXO submits that the changes to the management structure will not have an impact on Clipper's operations or strategic direction which will continue to be the responsibility of Clipper's existing management.

GXO also submits that (i) there would be no divergence expected between its [X] and [X] functions in [X] and its equivalent functions in [X] as, although they will be operating under a new structure, both functions will still be managed in the same way as they have been previously i.e., under the same global leadership and in line with the broader global functions; and (ii) GXO's operations and strategic direction in the

¹ [X]

² [X]

³ [X]

⁴ [X]

UK will remain as at present, and therefore no impact by the structural changes are expected.

The CMA considers the roles subject to the management structure changes to be key staff. After due consideration of the roles and responsibilities, the CMA consent to the above strictly on the understanding that:

- (a) [X] has the necessary experience and expertise to assume the role of [X].
- (b) [X] has the necessary experience and expertise to assume the role of [X].
- (c) [X] has the necessary experience and expertise to assume the role of [X].
- (d) GXO will recruit experienced candidates with the necessary capacity and experience to take on the required responsibilities and effectively fulfil each of the New Appointment Roles respectively.
- (e) Candidates considered for the New Appointment Roles will be entirely independent of Clipper.
- (f) This derogation will not affect the viability of the GXO or Clipper businesses.
- (g) This derogation will not result in any integration between the Clipper business and the GXO businesses.
- (h) This derogation will not prevent any remedial action which the CMA may need to take regarding the Acquisition.

Yours sincerely

Shantanu Kafle
Assistant Director
Mergers