

**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 (the ‘Act’) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (‘CMA’) on 26 October 2021.

Completed acquisition by Clayton, Dubilier and Rice of Wm Morrison Supermarkets Plc (‘Morrisons’) (the ‘Acquisition’).

We refer to your submission of 5 May 2022 requesting that the CMA consents to a derogation from the Initial Enforcement Order of 26 October 2021 (the ‘**Initial Order**’). Unless otherwise stated, 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, Clayton, Dubilier & Rice Holdings, LLC (‘**CD&R**’), Motor Fuel Limited, CD&R Firefly Holdco Limited, Market Bidco Limited and Market Topco Limited (collectively referred to as the ‘**Acquirer Group**’), and Morrisons (together with the Acquirer Group the ‘**Addressees**’) are required to hold separate the Acquirer Group business from the Morrisons 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 your request for a derogation from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(c) and 6(i) – Changes to key staff and accompanying changes to reporting lines

The CMA understands that Morrisons has identified an opportunity to implement changes within its [X] divisions to reduce the complexity of its current reporting structure, which would enable Morrisons to respond more quickly and efficiently to market developments.

The CMA further understands that Morrisons is proposing to:

- (i) Change the reporting structure for [X], who previously reported to [X], but will instead report directly to [X], whose remit ultimately includes [X] :
 - [X];
 - [X];
 - [X]; and
 - [X].
- (ii) Remove the position of [X] from Morrisons' organisational structure following the implementation of the reporting line changes described above. As a result, Morrisons will review [X] role within the business and consider whether there is a suitable alternative position for [X] elsewhere within Morrisons.
- (iii) If a suitable alternative position for [X] is not found, the CMA understands that the removal of the [X] role could result in the [X]. The CMA further understands that [X] .
- (iv) Change the reporting structure for [X], who previously reported to [X], but will instead report directly to [X]. [X] responsibility for [X].
- (v) Reassign the role of [X] (currently performed by [X]) from [X] role. The reassignment of the role [X] will not have any effect on [X] responsibilities, salary, or reporting line (which is currently to [X]).
- (vi) Expand the responsibilities of [X], to include [X]. Morrisons also intends to change the reporting structure for [X], who previously reported to [X], but will instead report to [X].

Morrisons submits that the staff changes set out above are strictly necessary and urgent due to the challenging trading conditions that are affecting Morrisons' business, including

increases in energy, fuel and commodity prices, supply chain disruptions and rising inflation. The reporting line changes will align the relevant [X] roles with the members of Morrisons' senior leadership team who are best placed to make decisions in response to market developments and remove unnecessary reporting lines that delay responsiveness.

Morrisons further submits that its decision to implement the staff changes described above was taken independently of the Acquirer Group, which has since been notified of the prospective changes.

As [X] and [X] each hold a position of executive or managerial responsibility in their respective roles, the CMA considers these employees to be key staff under the IEO. The CMA consents to a derogation from paragraphs 6(c) and 6(i) of the Initial Order to permit the key staff changes described above, strictly on the basis that:

- (a) Morrisons will continuously monitor the impact of the changes to reporting lines on its [X] and will, if necessary, consider whether any further changes (including new hires) are needed to support the individuals in the relevant roles.
- (b) Morrisons will ensure a smooth handover of the reporting functions that were previously handled by [X] to [X] and [X], and by [X] to [X] as appropriate.
- (c) The grant of this derogation will not affect the viability of the Morrisons business.
- (d) This derogation will not result in any integration between the Morrisons business and the Acquirer Group business.
- (e) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

Yours sincerely,

Alex Hazell

Assistant Director, Mergers

10 May 2022