

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 25 May 2022.

Completed acquisition by Wm Morrison Supermarkets Ltd of certain assets of McColl's Retail Group plc, Martin McColl Limited, Clark Retail Limited, Dillons Stores Limited, Smile Stores Limited, Charnwait Management Limited, and Martin Retail Group Limited (these assets are collectively referred to as 'McColl's') (the 'Acquisition')

We refer to your submission of 18 June 2022 requesting that the CMA consents to a derogation to the Initial Enforcement Order of 25 May 2022 (the 'Initial Order'). Unless otherwise stated, the terms defined in the Initial Order have the same meaning in this letter.

On 9 May 2022, Wm Morrison Supermarkets Limited completed the acquisition of McColl's via Alliance Property Holdings Limited ('Alliance'), a wholly-owned previously non-trading subsidiary the purpose of which, since completion of the acquisition by Wm Morrison Supermarkets Limited of McColl's, has been solely to act as the holding company for McColl's.

Under the Initial Order, save for written consent by the CMA, Clayton, Dubilier & Rice Holdings, LLC ('CD&R'); Motor Fuel Limited and CD&R Firefly Holdco Limited (referred to together as 'MFG'); Market Bidco Limited, Market Topco Limited, and each of the subsidiaries of Wm Morrison Supermarkets Limited other than Alliance (referred to together as 'Morrisons') (CD&R, MFG and Morrisons collectively are referred to as the 'Acquirer Group'); and Alliance (together with the Acquirer Group the 'Addressees') are required to hold separate the Acquirer Group business from the Alliance 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 derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to the Acquirer Group carrying out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(c) and 5(i) – Changes to key staff and associated changes to reporting lines

The CMA understands that, on 14 June 2022, [X] resigned as [X] of Alliance and that [X] has a contractual notice period of [X] that is scheduled to end on [X] 2022.

The CMA also understands that [X] joined McColl's as [X] on a short-term basis in February 2022 to support [X] (the [X] of McColl's) by assuming [X] direct reports whilst the business was focused on refinancing McColl's. However, now that the refinancing process has completed, Alliance intends to discontinue the position of [X] following [X] departure.

The CMA further understands that, following the departure of [X], Alliance intends:

- to appoint [X] to the new role of [X], and for [X] to absorb two of [X] direct reports: [X] and [X]; and
- for [X] to absorb the remainder of [X] direct reports, comprising: [X], [X], [X], [X] and [X].

Alliance submits that [X] has the knowledge and experience to assume the responsibilities of [X], having previously held this role in 2020. Alliance also submits that [X] current responsibilities as [X] have now been operationalised, and will otherwise be assumed by [X].

Alliance further submits that the changes to reporting structures described above are strictly necessary following the departure of [X] and would contribute towards a more unified and streamlined management structure within the [X] of Alliance.

As [X] and [X] currently hold positions of executive or managerial responsibility in their current roles, the CMA considers [X] and [X] to be key staff under the Initial Order.

The CMA grants a derogation from paragraphs 5(c) and 5(i) of the IEO to permit the above changes, strictly on the basis that:

- (a) [X] has the necessary experience and expertise to assume the role of [X].
- (b) Alliance will ensure a smooth transfer of responsibilities and reporting functions from [X] to [X] and [X].
- (c) Alliance will continuously monitor the staffing requirements of its [X] and will, if necessary, hire new staff to support [X] as [X] and/or [X] in [X] expanded role.

- (d) The grant of this derogation will not affect the viability of the Alliance business.
- (e) This derogation will not result in any integration between Alliance and the Acquirer Group.
- (f) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

Yours sincerely,

Lasse Burmester

Assistant Director, Mergers

21 June 2022