

**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 issued by the Competition and Markets Authority ('CMA') on 21 December 2021.

Acquisition by NEC Software Solutions UK Limited of Capita (SSS) Limited and Capita Software (US) LLC (the 'Merger')¹

We refer to your email of 8 August 2022 requesting that the CMA consents to derogations to the Initial Enforcement Order of 21 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 by the CMA, NEC Corporation ('**NECJ**'), Garden Private Holdings Limited ('**GPHL**') and NEC Software Solutions UK Limited ('**NECSWS**') and its subsidiaries (the '**NEC business**') are required to hold separate the NEC business from SSS Public Safety Limited ('**SSS**'), Secure Solutions USA LLC ('**SUS**') and their subsidiaries (the '**SSS 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, NECSWS may carry out the following actions, in respect of the specific paragraphs:

Paragraphs 6(c) and 6(e) of the Initial Order

The CMA understands that NECSWS intends to dissolve its subsidiaries listed in this derogation (the '**Proposed Dissolutions**'). These Proposed Dissolutions have no assets (other than inter-company debts), intellectual property or staff but can have contracts in their own name which are serviced in practice by NECSWS. Any such contracts will be novated to NECSWS to facilitate dissolving the Proposed Dissolutions.

¹ Now SSS Public Safety Limited and Secure Solutions USA LLC, respectively, and further referred to as 'SSS'.

The Proposed Dissolutions

- [X]: this was the former trading entity of the [X] business which was acquired by NECSWS in [X]. After its acquisition, the [X] business continued to trade until [X], at which point its business and assets were transferred to NECSWS. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution process starts. NECSWS would dissolve the company following [X].
- [X]: this entity was acquired by NECSWS in [X]. Its business and assets were transferred to NECSWS with effect from [X]. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution. Notwithstanding having not traded since [X], there are contracts [X]. NECSWS would dissolve the company following the novation of these contracts. The relevant novation has not yet started but NECSWS is seeking to finalise it as soon as possible.
- [X]: this entity was acquired by NECSWS in [X]. After the relevant acquisition, this entity continued to trade until [X], at which point its business and assets were transferred to NECSWS. [X] owes [X] an [X] loan, and it is proposed that [X] will waive repayment of this loan before the company dissolution process starts. Prior to the dissolution of [X], it is currently intended that [X] will novate to NECSWS certain customer contracts [X] - the form of this [X] has been agreed between [X] and the parties are due to execute [X] very shortly; [X]. NECSWS expects that the proposed [X] will take place with [X] shortly after [X].
- [X]: this entity was previously the sole immediate parent company of [X] (it is now a majority shareholder, as further shares in [X] have been issued to [X]). The entity is currently dormant and has not traded since it was acquired by NECSWS. NECSWS believes that this entity last traded in [X], although it does not have any further information why it ceased trading when it was part [X]. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution process starts. [X] is intended to be dissolved once the dissolution of [X] has taken place.
- [X]: this entity was the target company in the acquisition of [X] and was the [X] of that group prior to its acquisition by NECSWS. NECSWS understands that this entity was a holding company and never traded prior to the acquisition by NECSWS. Further, this entity has not traded since it was acquired by

NECSWS. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution process starts.

- [X]: this entity was previously the trading entity of the [X] business, which NECSWS acquired in [X]. After its acquisition, the entity continued to trade until [X], at which point its business and assets were transferred to what is now NECSWS. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution process commences.
- [X]: this entity is the immediate parent of [X]. NECSWS understands that this entity has never traded and was incorporated as a holding company. [X] will be dissolved once the dissolution of [X] has taken place.
- [X]: this entity was acquired by NECSWS in [X] and continued to trade until [X], at which point its business and assets were transferred to NECSWS. [X] owes an [X] loan to [X], and it is proposed that [X] will waive repayment of this loan before the company dissolution process starts. This entity has several contracts, and NECSWS would dissolve the company following the novation of these contracts.
- [X]: this entity is a dormant subsidiary of [X]. It became part of the NEC group when NECSWS acquired [X] in [X]. NECSWS understands this entity has never traded and was incorporated for the purposes of reserving the company name, as [X] used to trade as [X].

The CMA understands that the context for the Proposed Dissolutions is that, due to [X]:

- [X] has stated that it intends to [X], in respect of three of which NECSWS is seeking consent for dissolution, namely: [X] and [X]. [X];
- NECSWS is expecting [X] for certain other companies which are included within the scope of this derogation letter;
- NECSWS understands [X] that if it initiates the process to strike off [X], [X] and [X];
- Several factors have resulted in [X] including: (i) [X], and (ii) ongoing discussions [X]. NECSWS has submitted that [X], which now would only apply to [X]; and

- [X]

NECSWS submits that the Proposed Dissolutions will have no negative impact on NECSWS' viability, customer offerings, or relationships with suppliers and that the proposed changes are unrelated to the acquisition of SSS. In addition, NECSWS submits that the waiver of [X] is likely to [X]. Accordingly and in light of the above, the CMA consents to grant a derogation from paragraphs 6(c) and 6(e) of the Initial Order to permit the abovementioned changes.

This derogation is provided on the basis that:

- a) save for the changes described above, no other organisational changes for which a derogation would otherwise be required will be made to the NEC business as a result of the Proposed Dissolutions;
- b) save for the changes described above, all existing contracts of the SSS business and the NEC business shall continue to be serviced by the business to which they were awarded;
- c) this derogation does not impact the viability of the NEC business during the term of the Initial Order;
- d) this derogation will not impact the ability of the SSS business to compete independently of the NEC business;
- e) this derogation will not result in any integration between the SSS business and the NEC business;
- f) this derogation will not result in the transfer of ownership or control of the NEC business or the SSS business or any of their subsidiaries; and
- g) this derogation shall not prevent any remedial action which the CMA may need to take regarding the Merger.

Lesley Moore
Director, Mergers
10 August 2022