

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 20 December 2021

Acquisition by Veolia Environnement S.A. of Suez S.A.

We refer to your email dated 1 September 2022 requesting that the CMA consents to derogations to the Initial Enforcement Order of 20 December 2021 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter. Further, in this letter:

The '**Veolia MWS Business**' means Veolia's UK and EEA Mobile Water Services business which is required by Veolia to be divested in accordance with Chapter 15 of the CMA's final report on the Merger.

The '**Divestment Businesses**' means the Veolia MWS Business, all of the Suez UK waste business and the Suez WTS's UK industrial water and wastewater O&M business.

Under the Initial Order, save for written consent by the CMA, Veolia Environnement S.A. ('**Veolia**') and Veolia UK Limited ('**Veolia UK**') are required to hold separate the Veolia business from the Suez business and refrain from taking any action which might prejudice a reference under section 33 of the Enterprise Act 2002 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, Veolia and Suez may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(b), 5(c), 6(b-f), 6(i), 6(k) and 10 of the Initial Order

Veolia submits that the Veolia MWS Business is the only Veolia business that forms part of the divestment package outlined in the CMA's Final Report and that no other Veolia asset are being divested. Veolia also submits that the Veolia MWS Business is already held separate from the rest of the Veolia business pending its divestment as part of the CMA and European Commission remedies processes.

Veolia submits that it is no longer necessary or proportionate for all of Veolia's business preservation obligations under the Order to apply to the Veolia UK business and UK-related assets other than the Veolia MWS Business.

Veolia is requesting a derogation to limit the scope of certain provisions of the Order so that they no longer apply to Veolia businesses other than the Veolia MWS Business. Veolia submits that the Order would continue to prevent any integration between Veolia and Suez (except as permitted by existing derogations) and the Divestment Businesses would continue to be held separate from the rest of the Veolia business. [X].

Veolia submits that this request is urgent and necessary:

- a) The business preservation and related notification requirements under paragraphs 5, 6 and 10 of the Order impose a significant administrative burden on Veolia. [X].
- b) [X].

Veolia submits that it would be disproportionate to require Veolia's entire global business to remain subject to the onerous restrictions of these requirements of the Order and that the Veolia MWS Business comprises a very small proportion [X] of Veolia's global activities.

Veolia submits that the request is incapable of giving rise to pre-emptive action:

- a) The Divestment Businesses will continue to be held separate from the rest of the Veolia business under the Order.
- b) Veolia and Suez would continue to comply with and report to the CMA in respect of all the provisions of the Order that continue to apply to their respective businesses.
- c) There are no material links between any of the Divestment Businesses and the retained Veolia business. [X].
- d) In light of the CMA's decisions on the scope of the Divestment Businesses, there is no conceivable risk that the changes could impede the CMA's ability to carry out its investigation or impose remedies.

The CMA consents to a derogation to limit the scope of paragraphs 5(b), 5(c), 6(b), 6(c), 6(d), 6(e), 6(f), 6(i), 6(k), and 10 of the Initial Order so that they no longer apply to the Veolia business apart from Veolia's Mobile Water Services business in the UK and EEA, ie the Veolia MWS Business. This derogation is granted based on the representations made by Veolia to the CMA that the request is incapable of giving rise to pre-emptive action; that a derogation is proportionate and in line with the aims of the Initial Order and subject to the following condition:

- a) Veolia will refrain from taking any action under this derogation which may: (i) cause disruption to the Veolia MWS Business; (ii) affect the structure, assets and management of the Veolia MWS Business; and (iii)

undermine the ability of the Veolia MWS Business to compete effectively in the relevant markets.

Yours sincerely,

Alistair Thompson

Director, *RBFA*

20 September 2022