

**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 26 August 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 '**WTS UK O&M Business**' means Suez WTS's UK industrial water and wastewater O&M business which is required by Veolia to be divested in accordance with Chapter 15 of the CMA's final report on the Merger.

The '**WTS Integration Business**' means all of Suez WTS apart from the WTS UK O&M Business.

'**The Parties**' means Veolia and Suez.

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, 6 and 8 of the Initial Order

The Parties are jointly requesting a derogation from the Order to allow Veolia to integrate the WTS Integration Business with Veolia. The Parties jointly submit that this request could not adversely affect the CMA's ability to impose remedies or otherwise prejudice the CMA's investigation:

- a) Veolia would continue to hold the WTS UK O&M Business separately from Veolia/the WTS Integration Business.¹
- b) The WTS UK O&M Business is materially separate and easily severable from the WTS Integration Business. [X].
- c) The requested integration would not adversely affect the ability to divest the WTS UK O&M Business or its ability to compete in the industrial water O&M market.
- d) The integration of the WTS Integration Business would allow Veolia to ensure that the competitive offering of the WTS Integration Business is maintained.

The Parties submit that it would be disproportionate to require WTS's entire global business to remain subject to the onerous restrictions of the Order and that the CMA's objectives under the Order can be met in a more proportionate way by allowing the integration of the WTS Integration Business.

The Parties also submit that the WTS Integration Business has no material connection to the WTS UK O&M Business and that it would be straightforward to ringfence the WTS UK O&M Business from the WTS Integration Business and the rest of the Veolia business:

- a) The WTS UK O&M Business is a standalone business [X], which is legally and operationally separate from the WTS Integration Business.
- b) All operational assets required to operate the WTS UK O&M Business [X].
- c) [X].
- d) The WTS Integration Business will provide undertakings not to access the WTS UK O&M Business's confidential, commercially sensitive or proprietary information through shared back-office functions or IT systems. As the WTS UK O&M Business already exists as a standalone business, [X] with Suez and/or the WTS Integration Business.
- e) WTS UK O&M Business staff do not and will not interact with the employees in the WTS Integration Business in carrying out their responsibilities. [X].
- f) There are no other material links between the WTS Integration Business and the WTS UK O&M Business.

The CMA consents to Veolia's and Suez's joint request for a derogation from the scope of the obligation in paragraphs 5, 6 and 8 of the Initial Order, to allow The Parties to integrate with Veolia the global Suez WTS business apart from the Suez WTS industrial water and wastewater O&M business in the UK, ie the

¹ The WTS UK O&M Business comprises [X].

WTS Integration Business. This derogation is granted based on the representations made by Veolia and Suez to the CMA that a derogation is proportionate and in line with the aims of the Initial Order and subject to the following conditions:

- a) The Parties undertake to provide the Monitoring Trustee as soon as reasonably practicable with:
 - a. A high-level summary of their integration plan, including timescales involved for their plans to integrate the WTS Integration Business (the '**WTS Integration Plan**'); and
 - b. The details of any steps or actions in place to ensure the WTS UK O&M Business is appropriately preserved and maintained, and to ensure that the confidential information of the WTS UK O&M Business is appropriately ringfenced from Veolia and the WTS Integration Business.
- b) The Monitoring Trustee will review the WTS Integration Plan provided under condition (a) above and report to the CMA on: (i) the impact of the Parties' WTS Integration Plan on the WTS UK O&M business; (ii) any issues and risks which the Monitoring Trustee identifies in relation to the WTS Integration Plan and the Monitoring Trustee's recommendations for mitigating these risks; and (iii) the Monitoring Trustee's recommendations in relation to how the WTS UK O&M, including its confidential information, can be appropriately preserved and maintained.
- c) The Parties undertake to keep and maintain an up-to-date record of the integration with the WTS Integration Business (which shall be made available to the CMA and/or the Monitoring Trustee on request); and
- d) Veolia will refrain from taking any action under this derogation which may: (i) cause disruption to the WTS UK O&M Business; (ii) affect the structure, assets and management of the WTS UK O&M Business; and (iii) undermine the ability of the WTS UK O&M Business to compete effectively in the relevant markets.

Yours sincerely,

Alistair Thompson

Director, *RBFA*

16 September 2022