

**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 made by the Competition and Markets Authority ('CMA') on 20 December 2021.

Acquisition by Veolia Environnement S.A. of Suez S.A. (the 'Transaction').

We refer to your letter dated 27 September 2022 requesting that the CMA consents to a derogation to the Initial Enforcement Order of 20 December 2021, as amended by the Variation Order dated 5 August 2022 (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 from 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.

Under the Initial Order, save for written consent by the CMA, Suez S.A. (now renamed Vigie S.A.) ('**Suez**') and Ondeo Industrial Solutions UK Ltd, Suez Water Tech & Solutions UK Limited ('**SWTS**') and Suez UK Group Holding Ltd (together, '**Suez UK**') are required to hold separate the Suez business from the Veolia Environnement S.A. business and refrain from taking any action which might prejudice a reference under section 33 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, Veolia and Veolia UK may carry out the following actions, in respect of the following specific paragraphs:

1. Paragraphs 6(c) and 6(j) of the Initial Order

Veolia and Suez submit that they are working to implement the divestment of the Suez WTS UK industrial water and wastewater O&M business (the '**WTS UK O&M Business**') which will be implemented by the sale of all shares in Suez Industrial Water Limited ('**SIW Limited**').

Veolia and Suez submit that, in order to divest the entity, Suez must carry out minor administrative staff moves. They submit that [X] WTS individuals are currently in [X] roles in SIW Limited but will not be part of the WTS UK O&M Business [X] and will be replaced by employees of the WTS UK O&M Business [X].

Veolia and Suez jointly request the CMA's consent to make the following changes to the directors of SIW Limited:

- a) Replace [X] with [X]¹
- b) Replace [X] with [X].

Veolia and Suez submit that granting the requested derogation would be proportionate and consistent with the aim of the Initial Order to prevent pre-emptive action, and that this request could not adversely affect the CMA's ability to impose remedies or otherwise prejudice the CMA's investigation. They further submit:

- a) The Final Report confirmed that a sale of the WTS UK O&M Business will fully address the relevant SLCs. This request facilitates the divestment of the WTS UK O&M Business in order to remedy the CMA's concerns.
- b) The appointment of WTS UK O&M Business employees [X] ensures the independence and separation of the divestment business from the wider WTS business.
- c) The [X] responsibilities (other than the purely administrative role as [X]) relate to the broader WTS business rather than the WTS UK O&M Business. The [X] have the necessary experience to act as [X] and will be better placed to do so given that their primary responsibilities relate to the WTS UK O&M Business. [X] is a seasoned services leader with [X] experience in the water industry. As the [X] of the UK WTS O&M Business [X] is well-placed to [X] and be [X]. [X] has [X] in the water industry and is responsible for [X].
- d) The [X] will be removed from their roles as [X] on the same day as [X] are appointed, so there will be no time at which [X]. [X] know the WTS UK O&M Business well, so no transition or handover period is required.

¹ WTS notes for completeness that [X] will replace [X] as [X], in which WTS has a [X] and [X] has a [X].

The CMA consents to a derogation from paragraphs 6(c) and 6(j) to allow this change to take place. This derogation is granted on the basis that this derogation will not lead to any integration between Veolia and Suez.

Alistair Thompson

Director, RBFA

2 November 2022