

**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 Orders made by the
Competition and Markets Authority (‘CMA’) on 31 October 2022**

COMPLETED ACQUISITIONS BY INDEPENDENT VETCARE LTD

Dear Bertrand Louveaux,

We refer to your email and accompanying note dated 7 October 2022 (as subsequently amended) requesting that the CMA consents to a derogation to the Initial Enforcement Orders (the “**Initial Orders**”) dated 31 October 2022. The terms defined in the Initial Orders have the same meaning in this letter.

Under the Initial Orders, save for written consent by the CMA, the Acquirer Group is required to hold separate the Acquirer Group business from the Target Entities 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 a derogation from the Initial Orders, based on the information received from you and in the particular circumstances of this case, IVC and the Target Entities may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 4(a), 5(a), 5(f), 5(g) and 5(l) of the Initial Orders in respect of the actions described below

The Independent Vetcare Ltd’s acquisitions of Penrose Veterinary Group Limited, Kevin Castle (Pet Care) Ltd, Swayne & Partners Ltd, Treforest Veterinary Clinic Limited (including Treforest and Tonypandy Veterinary Clinics), Mercer & Hughes Limited, Swaffham Veterinary Centre Limited, Anglesey Pet Clinic Ltd, Chiltern Equine Clinic (including Chiltern Veterinary Services Limited & Chiltern Bury Farm Limited) (the ‘**Target Entities**’) (the ‘**Transactions**’)¹ completed between 16 September 2021 to 22 March 2022. Since completion of the Transactions, IVC has been providing each of the Target Entities with a set of support services (together, the ‘**Support Services**’).

¹ This consent letter refers to all Target Entities unless otherwise specified.

IVC therefore requests a derogation from paragraphs 4(a), 5(a), 5(f), 5(g) and 5(l) of the Initial Orders to continue providing each of the Support Services to the Target Entities. These are each listed and described in paragraphs (A) to (G) below. IVC submits that continuing to provide the Support Services to the Target Entities is strictly necessary in order to preserve the viability and competitive capability of the Target Entities.

(A) The provision of support by IVC to the Target Entities named below through the following systems:

- (i) [redacted] used for the administration of payroll [redacted] administration and payment of expenses). [redacted]
- (ii) [redacted] practice management system). [redacted] IVC submits that continuing this Support Service is necessary in order to ensure efficient clinical record keeping by the relevant Target Entities.

(B) The provision of IT and telecommunications support by IVC to the Target Entities:

This includes (i) IT support [redacted]; and (ii) telecommunications support [redacted].²

(C) The provision of support by IVC to the Target Entities in respect of legal and compliance matters

This includes legal and compliance support in respect of the following:

- (i) Litigation matters [redacted]
- (ii) Existing HR disciplinary procedures or investigations.
- (iii) Commercial matters ([redacted]).
- (iv) Responses to queries from customers [redacted].
- (v) Professional regulatory support (including responding to queries from Target Entities in respect of professional regulatory matters and monitoring the Target Entities' compliance with professional regulatory standards).

(D) The provision of HR support by IVC to the Target Entities

IVC submits that this includes:

² IVC notes that [redacted].

- (i) [redacted] recruitment processes [redacted] employee occupational health and safety matters [redacted];
- (ii) the provision of support through external HR service providers, including Outset UK which provides certain outsourced HR services to IVC UK (including to the Target Entities). This includes the provision of consultancy services in relation to a range of HR-related matters, including legal and safety solutions.

(E) The provision of support by IVC to the Target Entities in respect of health and safety matters

(F) IVC Group insurance coverage

IVC submits that certain Target Entities are covered by [redacted] insurance policy. IVC submits that continuing such cover is critical in order to ensure the continued operation of the Target Entities' businesses.

(G) Financial processes

IVC submits that its central finance team provides support to the Target Entities. This typically involves:

- (i) The review of management accounting data provided by the relevant Target Entities to IVC's central finance team;
- (ii) The provision of payroll support by IVC to the Target Entities (comprising [redacted]);
- (iii) The provision of payroll support for those Target Entities [redacted];
- (iv) [redacted];
- (v) The provision of banking, takings and purchase ledger support; and
- (vi) The provision of customer debt management support, [redacted].

IVC submits that continuing to provide the above services is critical in order to ensure the continued operation of the Target Entities' businesses.

The CMA consents to a derogation from paragraphs 4(a), 5(a), 5(f), 5(g) and 5(l) of the Initial Orders to permit IVC to continue providing each of the Support Services to the relevant Target Entities. The CMA grants this derogation strictly on the basis that:

- (a) The Target Entities' information provided to IVC will be limited to what is strictly necessary to ensure that IVC can continue providing the Support Services.
- (b) The Target Entities' information provided to IVC will be provided only to the individuals identified in Annex 1 (together, the '**Support Services Authorised Individuals**'). Information necessary for Support Service (A) will be provided only to those individuals in the Support Service (A) section of Annex 1, for whom access to this information is strictly necessary for IVC to continue providing Support Service (A). Similarly, information necessary for Support Service (B) will be provided only to those individuals in the Support Service (B) section of Annex 1, for whom access to this information is strictly necessary for IVC to continue providing Support Service (B); and so on.³
- (c) Each of the Support Services Authorised Individuals will sign Non-Disclosure Agreements, in a form approved by the CMA, in respect of any commercially sensitive information they receive in order to provide the Support Services to the Target Entities.
- (d) Adequate IT fire-walls and ring-fencing measures are implemented to prevent flow of commercially sensitive information relating to the Target Entities to any individuals other than the Relevant Individuals.
- (e) No changes to the individuals listed in Annex 1 are permitted without the prior written consent of the CMA (including via email).
- (f) Should any of the transactions be prohibited or the Acquirer Group is required to divest any of the Target Entities, the Acquirer Group will ensure that any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from any of the Target Entities for the purposes of this derogation will be returned to the relevant Target Entities and any copies destroyed, except to the extent that record retention is required by law or regulation.

³ Support Services Authorised Individuals should see only information which is necessary for the specific support Sub-Function they are working on (as detailed in Annex 1). For example, Individual [X], providing support in relation to management accounting, should see information only to the extent it is strictly necessary for management accounting support.

- (g) IVC continuing to supply the Target Entities with each of the Support Services is strictly necessary in order to preserve the viability and competitive capability of the Target Entities.
- (h) IVC continuing to supply the Target Entities with each of the Support Services will not confer any influence upon IVC in respect of the commercial policy of the Target Entities.
- (i) With respect to the provision of HR services, IVC's support is of an administrative nature and recruitment decisions will be made by the relevant Target Entities, with any exception to be agreed with the CMA.
- (j) This derogation will not prevent any remedial action which the CMA may need to take regarding the transactions.

Sincerely,

Faye Fullalove
Assistant Director, Mergers
31 October 2022

Annex 1 – IVC Support Services Authorised Individuals

Function	Authorised Individual
Financial Support Services	
Sub-Functions	
Takings	[X]
Banking	[X]
Purchase Ledger	[X]
Payroll (including [X])	[X]
Management Accounting	[X]
Commercial Finance	[X]
Commercial Finance	[X]
Finance (Systems & [X])	[X]
Finance	[X]
Financial Reporting	[X]
Treasury	[X]
Tax	[X]
Procurement Support Services	
Procurement	[X]
IT Support Services	
Sub-functions	
IT Support	[X]
IT Infrastructure	[X]
HR Support Services	
Sub-functions	
HR	[X]
HR & [X]	[X]
HR Ops	[X]
[X]	[X]
Apprentices	[X]
Legal and Compliance Support Services	
Legal and Compliance	[X]
Marketing Support Services	
Sub-function	
Marketing	[X]
[X]	[X]
Insurance	
Insurance	[X]
Health and Safety Support Services	
Health and Safety	[X]
Operations Support Services	

<i>Sub-functions</i>	
Shared Services	[✂]
Operations	[✂]