

**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 17 June 2022**

**Anticipated merger between Fedrigoni S.p.A. and Arjowiggins Group Limited (the 'Merger')**

Dear [✂],

We refer to your submissions of 8 and 14 June 2022 requesting that the CMA consents to derogations from the Initial Enforcement Order of 17 June 2022 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save with written consent from the CMA, Bain Capital Investors, LLC, Bain Capital Europe Fund, IV, LP, BCIP Associates V, LP, BCIP Associates V-B, LP, Fabric (BC) Investor S.à.r.l., Fabric Poolco S.à.r.l., Fabric (BC) Topco S.à.r.l., Fabric (BC) Midco Ltd (collectively, the '**Bain Capital Group**'), Fedrigoni Holding Ltd., Fedrigoni S.p.A. and its subsidiaries (collectively, the '**Fedrigoni Group**'), AW Creative Papers Group Limited ('**AW Creative Papers**'), and Arjowiggins Group Limited ('**Arjowiggins**'), are required to hold-separate the Fedrigoni Group business from the Arjowiggins business and refrain from taking any action which might prejudice a reference under section 22 or 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, the Bain Capital Group, the Fedrigoni Group, AW Creative Papers, and Arjowiggins may carry out the following actions, in respect of the following specific paragraphs of the Initial Order:

**1. Paragraphs 6(a), 6(e)(iii) and 6(l) of the Initial Order**

The Bain Capital Group, the Fedrigoni Group, AW Creative Papers and Arjowiggins (the '**Parties**') submit that Arjowiggins has been in financial difficulty for a number of

years and, as a result of its worsening financial position, Arjowiggins is no longer able to rely on the continued support of its existing lenders.

The CMA understands that on 20 April 2022, Fedrigoni S.p.A. (**Fedrigoni**) sent a letter of intent to AW Creative Papers in which it made a non-binding offer to purchase Arjowiggins [X]. In order to preserve Arjowiggins as a going concern, it became necessary for Fedrigoni to provide Arjowiggins with [X]. The [X], on 10 May 2022.

The Parties have since executed Heads of Terms and prepared a draft loan agreement in which Fedrigoni agreed to extend to Arjowiggins a [X] facility at an interest rate of [X] for the duration of [X] (the **Loan Agreement**). Pursuant to the Loan Agreement, Fedrigoni will have a [X] and share pledge over Guarro Casas S.A. (Arjowiggins' Spanish subsidiary, **Guarro Casas**) and a further theoretical share pledge over [X], together with Guarro Casas, the **Non-UK entities**), but otherwise, Fedrigoni will not hold any security over Arjowiggins.

The Parties submit that under the terms of the Loan Agreement, Fedrigoni is not entitled to any control rights over Arjowiggins or its subsidiaries (including the Non-UK Entities). Fedrigoni is entitled however to a small number of protections to its security, for example certain information rights set out at Annexes 1 and 2 to this consent letter (the **Information Rights**) and a consent right in relation to (i) disposal of [X], (ii) disposal of [X], (iii) the incurrence of additional indebtedness by Arjowiggins, (iv) any amalgamation, demerger, merger or corporate reconstruction of Arjowiggins, and (v) any substantial change to the nature of the Arjowiggins business (including the Guarro Casas business), and (vi) a consent right over the dissipation of Arjowiggins' assets (the **Protections**).

The CMA understands that Arjowiggins considers that it has no other available source of funding and that, absent the Loan Agreement, Arjowiggins would be unable to meet its ongoing financial commitments. On the basis of the Parties' representations, the CMA consents to a derogation from paragraphs 6(a), 6(e)(iii) and 6(l) of the Initial Order to enable Fedrigoni and Arjowiggins to enter into the Loan Agreement, strictly on the basis that:

- (i) the entering into of the Loan Agreement is strictly necessary in order to ensure that the viability and competitive capability of the Arjowiggins business is maintained and preserved;
- (ii) pursuant to the Loan Agreement:
  - a. the Bain Capital Group and Fedrigoni Group will not have any veto rights over the budget, business plan or appointment of senior

management of Arjowiggins, or any other rights that could be deemed to confer control or material influence over Arjowiggins. As a result, the entering into of the Loan Agreement will not impede or in any way interfere with the strategic, commercial, or operational decision-making ability of the Arjowiggins business;

- b. except in relation to the Non-UK entities referred to above, no security will be taken by the Bain Capital Group and Fedrigoni Group over Arjowiggins' assets, including in the event of default by Arjowiggins;
  - c. the Bain Capital Group and Fedrigoni Group will not be able to restrict the ability of the Parties to divest all or a portion of the Arjowiggins business to the extent necessary either (1) as part of a voluntary offer by way of undertakings in lieu of reference to a Phase 2 investigation pursuant to section 73 of the Act or (2) in order to comply with any order made by the CMA at Phase 2 under sections 41 and 84 of the Act, or as part of any final undertakings under section 82 of the Act, to remedy any competition concerns identified;
- (iii) following the entering into of the Loan Agreement, the Parties will continue to operate entirely separately and independently in competition with each other;
  - (iv) the terms of the funding being provided by Fedrigoni to Arjowiggins under the Loan Agreement are at least as favourable as the terms of the financing which Arjowiggins received from its existing lenders and do not undermine Arjowiggins' ability to pursue its pre-Merger business plan;
  - (v) the Bain Capital Group and Fedrigoni Group will seek the prior written consent of the CMA should they wish to [~~✗~~] and share pledge over the Non-UK Entities;
  - (vi) the Bain Capital Group and Fedrigoni Group will seek the prior written consent of the CMA should they wish to exercise any of the Protections other than the Information Rights (subject to these being exercised in accordance with all other relevant conditions in this letter);
  - (vii) the entering into of the Loan Agreement will not give rise to a risk of pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decisions on a reference;
  - (viii) the Arjowiggins financial information outlined in Annex 1 and the conditions precedent to signing outlined in Annex 2 will be shared only with Authorised Individuals (as defined below), and only to the extent

strictly necessary for the purposes of enabling Fedrigoni to enter into the Loan Agreement. With respect to (i) cash flow forecasts, (ii) balance sheets, (iii) income statements, (iv) asset performance reports, and (v) budgets, as referred to in Annexes 1 and 2, the sharing of such information will be limited to the information contained in templates of the same (to be agreed with the CMA in advance). Where Arjowiggins, under any of the categories of information set out in Annexes 1 and 2, plans to share with the Authorised Individuals information which contains (i) prices or margins of specific products or services, (ii) revenues or margins of individual business units, (iii) granular cost data, or (iv) other commercial information (including details about Arjowiggins' strategic plans) beyond what is in templates already agreed with the CMA, Arjowiggins will provide the CMA with samples of such information in advance of sharing with the Authorised Individuals for the CMA's prior approval.

- (ix) The information described in paragraph (viii) above will be shared only with the following authorised individuals:
  - a. [X]; and
  - b. [X];  
  
together, (the '**Authorised Individuals**') for whom it is strictly necessary to see the financial information, and who do not hold commercial or strategic roles within the Fedrigoni Group or Bain Capital Group;
- (x) the Authorised Individuals shall enter into non-disclosure agreements in a form approved by the CMA;
- (xi) at the CMA's request, Fedrigoni and Arjowiggins shall submit to the CMA a summary of the financial information shared with the Authorised Individuals;
- (xii) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within the Fedrigoni Group or the Bain Capital Group from accessing the financial information shared with the Authorised Individuals for the purposes of this derogation;
- (xiii) no changes to the Authorised Individuals or to the information to be provided specified in Annex 1 and 2 are permitted without the prior written consent of the CMA (which can be provided via email); and
- (xiv) should the Merger not proceed, be prohibited or the Parties are required or decide to divest all, or part of the Arjowiggins business or Fedrigoni Group

business, the Fedrigoni Group and the Bain Capital Group will ensure that any record or copies (electronics or otherwise) or 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 Arjowiggins for the purposes of this derogation will be returned to the Arjowiggins business and any copies destroyed, except to the extent that record retention is required by law or regulation.

Yours sincerely,

Elie Yoo  
Director of Mergers  
17 June 2022

## Annex 1 – Arjowiggins financial information template

The following information is required to be provided by Arjowiggins Papers Limited to Fedrigoni in accordance with the Loan Agreement at the intervals indicated. All capitalised terms are as defined in the Derogation Consent Letter and/or the Loan Agreement.

Information Reference	Information Required	Information Frequency
8.2 (a)	Copies of all documents dispatched by Arjowiggins Papers Limited to its creditors (or any class of them) including the provision of any financial information such as cash flow forecasts.	At the same time as the documents are dispatched.
8.2(b)	The details of any litigation, arbitration or administrative proceedings or investigations which are current, threatened in writing against Arjowiggins Papers Limited and/or Guarro Casas and which, if adversely determined, are reasonably likely to have a Material Adverse Effect.	Promptly upon Arjowiggins Papers Limited becoming aware.
8.2(c)	Further information including income statements, asset performance reports, and delinquency and credit reports regarding Guarro Casas, the Property and the financial condition, business and operations of Arjowiggins Papers Limited or Guarro Casas. <sup>1</sup>	Promptly upon the reasonable request of Fedrigoni.
8.2(d)	In respect of the NAV Test <sup>2</sup> updated financial information in order to assess and apply the NAV Test.	At the end of each financial quarter.
8.2(e)	The weekly 13 week short term cash flow forecast for the Arjowiggins Group, with any corroborating evidence.	Promptly upon request.
8.4(a)	Notification of any Default.	Promptly upon becoming aware of the Default.
8.4(b)	A certificate signed by two directors or senior officers certifying that no Default is continuing or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it.	Promptly upon request by Fedrigoni.

<sup>1</sup> To the extent such information is in Arjowiggins Papers Limited's possession or which Arjowiggins Papers Limited can reasonably obtain.

<sup>2</sup> As described in Schedule 2 of the Loan Agreement: information in respect of the net asset value of Guarro Casas demonstrating, to Fedrigoni's satisfaction, that Guarro Casas' net asset value is equal to or greater than [≥].

## Annex 2 – Arjowiggins CP satisfaction financial information template

The following information is required to be provided by Arjowiggins Papers Limited to Fedrigoni in accordance with Schedule 1 (*Conditions Precedent*) of the Loan Agreement prior to the signing of the Loan Agreement. All capitalised terms are as defined in the Derogation Consent Letter and/or the Loan Agreement.

Information Reference	Information Required	Information Frequency
1(a)	A copy of the constitutional documents of Arjowiggins Papers Limited.	Prior to signing.
1(b)	<p>A copy of the resolution of the board of directors of Arjowiggins Papers Limited:</p> <ul style="list-style-type: none"> <li>i. approving the terms of, and the transactions contemplated by, the Finance Documents and resolving that it execute the Finance Documents;</li> <li>ii. authorising a specified person or persons to execute the Finance Documents;</li> <li>iii. authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents.</li> </ul>	Prior to signing.
1(c)	A specimen of the signature of each person authorised by the resolution referred to at row 1(b) above.	Prior to signing.
1(d)	A certificate of Arjowiggins Papers Limited (signed by a member of the board) confirming that borrowing the Commitments would not cause any borrowing or similar limit binding on it to be exceeded and that each copy document relating to it specified in this Annex 2 is correct, complete and in full force and effect as at a date no earlier than the date of the Loan Agreement.	Prior to signing.

2(a)	A copy of the [ <del>3</del> ] in the agreed form, duly executed and delivered by Arjowiggins Papers Limited and Guarro Casas (as applicable).	Prior to signing.
2(b)	A copy of the Existing Lender Consent in the agreed form, duly executed.	Prior to signing.
2(c)	A copy of the Deed of Release ([ <del>3</del> ]) in the agreed form, duly executed and delivered.	Prior to signing.
2(d)	A copy of the Deed of Release ([ <del>3</del> ]) in the agreed form, duly executed and delivered.	Prior to signing.
2(e)	A copy of the Deed of Release ([ <del>3</del> ]) in the agreed form, duly executed and delivered.	Prior to signing.
2(f)	The Group Structure Chart	Prior to signing.
2(g)	A copy of all existing debt and security documentation in respect of the Borrower and Guarro Casas which the Lender considers to be necessary or desirable that has not already been provided, including the items detailed in Schedule 4 of the Loan Agreement.	Prior to signing.
2(h)	A copy of any consents to the matters contemplated hereby required from existing lenders to the Group under the terms of existing financing arrangements.	Prior to signing.
2(i)	Any Authorisation or other document, opinion or assurance which the Lender considers to be necessary (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by the Finance Documents or for the validity and enforceability of the Finance Documents.	Prior to signing.



2(k)	The Budget.	Prior to signing.
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