

**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 21 December 2022 and 24 January 2023**

**COMPLETED ACQUISITIONS BY MEDIVET GROUP LIMITED**

Dear [redacted]

We refer to your submissions of 19 and 27 January 2023 and 15 February 2023 requesting that the CMA consents to derogations to the Initial Enforcement Orders of 21 December 2022 (as varied) and 24 January 2023 (the **Initial Orders**). 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 businesses from the Target Entities businesses 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 derogations from the Initial Orders, based on the information received from you and in the particular circumstances of this case, the Acquirer Group may carry out the following actions, in respect of the specific paragraphs:

**Paragraphs 4(a) and 5(l) of the Initial Orders**

Medivet submits that its current operational model involves [redacted]

More specifically:

*Operational Matters*

The staff in the practices deal with [redacted]

There are, however, a number of features of operating a practice in relation to which practice staff need considerable centralised support from Medivet's centralised functions, which is provided to practices through Medivet's Operations function. The Operations function comprises a team of regional operations directors (**RODs**), each of whom [redacted]. The RODs, therefore, [redacted].

The Operations function provides support to the practices on a range of aspects of their operation, including [§<]. Provision of these functions [§<].

The RODs are [§<]

Medivet therefore submits that, for the period that an IEO is in force in relation to any of the target practices, authority to operate each target practice should be [§<]<sup>1</sup> with regards to the following (the **Operational Matters**):

- ensuring [§<] including through [§<]<sup>2</sup> and [§<] – e.g. through [§<] and
- [§<].

Medivet notes that the CMA has already granted derogations to allow Medivet to continue to provide the Target Entities with centralised functions support in the form of back-office functions (HR, payroll, fleet management, health and safety, maintenance, legal and compliance, IT support/help desk and property real estate) and central purchasing. This derogation seeks to allow the [§<]

#### *Assistance with [§<]*

To ensure that all veterinary practices are [§<]. For example, [§<]

[§<]. Reverting to their pre-merger arrangements would [§<]

This [§<] support is of significant value to the Target Entity businesses (and their customers) as without it they [§<] which would result in a reduction in the quality of services provided to customers and the viability and competitive capability of the Target Entities. Before the acquisitions, the Target Entities [§<]. While [§<] would have been potential options (and remain options today), they [§<]

#### *Clinical Matters*

Medivet's current operational model also involves the responsibility for ensuring that Medivet delivers veterinary care at a high clinical standard at its practices being [§<]

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<sup>1</sup> For completeness, Medivet notes that the CMA has consented to a derogation in relation to Target Entity businesses (assets and business of the veterinary practice under the name 'Caddy Veterinary Surgery/Practice' and the assets and business of the veterinary practice under the name 'Hollies Veterinary Surgery'), which allows Medivet (including the RODs and DODs) to continue providing operational and clinical support to those practices even without the benefit of this proposed derogation.

<sup>2</sup> Please note that the phase-out of Medivet's assistance with respect to [§<] so going forward any such support would only be by request of the Target Entities.

called Divisional Veterinary Directors (**DVDs**). DVDs are [§<] to the Target Entities by [§<] (the **Clinical Matters**). DVDs have [§<] and [§<]

Clinicians at the practice level often [§<]. Also, although the Royal College of Veterinary Surgeons (RCVS) regulations require [§<] to be dealt with in the first instance by the clinician (vet or nurse) who provided the clinical care, [§<]. In this way, DVDs and GVDs help ensure that practices are providing veterinary care at high clinical standards.

Medivet therefore submits that, for the period that any IEO is in force in relation to any of the target practices, [§<] should be permitted to continue providing support for the Clinical Matters.

To the extent that the [§<] were to be prevented from being able to access the above-described support pertaining to the operation of their practices during the period that any applicable IEO is in force, Medivet submits that there would be a significant risk of the practices failing to deliver the high standards of care required by the RCVS. Medivet therefore requests a derogation from paragraphs 4(a) and 5(l) of the Initial Orders to enable the [§<] to be able to seek support from [§<]

On this basis, the CMA consents to a derogation from paragraphs 4(a) and 5(l) of the Initial Orders to enable the [§<] to be able to seek support from the [§<].

This derogation is granted strictly on the basis that:

- (i) Medivet continuing to provide the Target Entities with support in relation to the Operational Matters and Clinical Matters is strictly necessary in order to preserve the viability and competitive capability of the Target Entities.
- (ii) Medivet continuing to supply the Target Entities with support in relation to the Operational Matters and Clinical Matters will not confer any influence upon Medivet in respect of the commercial policy of the Target Entities.
- (iii) The Target Entities, in consultation with the hold separate manager, will have complete discretion as to whether and what extent they avail themselves of support from Medivet in relation to the Operational Matters and the Clinical Matters.
- (iv) The Target Entities' information provided to Medivet will be limited to what is strictly necessary to ensure that Medivet can continue providing support in relation to the Operational Matters and the Clinical Matters.
- (v) The Target Entities' information relating to the Operational Matters and Clinical Matters provided to Medivet will be provided only to the individuals identified in Annex 1 (together, the '**Authorised Individuals**').

- (vi) Each of the Authorised Individuals will sign Non-Disclosure Agreements, in a form approved by the CMA, in respect of any commercially sensitive, confidential or proprietary information they receive in order to provide support in relation to the Operational Matters and Clinical Matters to the Target Entities.
- (vii) Medivet will provide each of the Authorised Individuals with training, in a form approved by the CMA, in respect of handling any commercially sensitive information they receive in order to provide support in relation to the Operational Matters and Clinical Matters to the Target Entities.
- (viii) With respect to the provision of staffing and other HR support in relation to the Operational Matters, all [§<] with any exception to be agreed with the CMA.
- (ix) The derogation will not result in any 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.

Sincerely,

[§<]

Faye Fullalove

Assistant Director

Mergers

22 February 2023

## **Annex 1 – Authorised Individuals for Operational Matters and Clinical Matters**

### Divisional Veterinary Directors (DVDs)

- [REDACTED]

### Divisional Support Administrators (DSAs)

- [REDACTED]<sup>3 4</sup>

### Divisional Support Manager<sup>5</sup>

- [REDACTED]

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<sup>3</sup> There is currently [REDACTED].

<sup>4</sup> There is currently [REDACTED].

<sup>5</sup> The Divisional Support Manager, [REDACTED]. Medivet submits that it is therefore appropriate for [REDACTED] to be included as an Authorised Individual.