

**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 26 October 2022.

Completed acquisition by Asda Stores Limited ('Asda') of Arthur Foodstores Limited ('Arthur') ('the Acquisition').

We refer to your submissions of 21 February 2023 and 9 March 2023 requesting that the CMA consents to derogations to the Initial Enforcement Order of 26 October 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 by the CMA, Mr Zuber Issa, Mr Mohsin Issa, TDR Capital LLP, TDR Capital III Portfolio No. 2 L.P., TDR Capital III Investments (2019) L.P., Asda Group Limited, Asda (the '**Acquirers**'), as well as Co-operative Group Limited ('**Co-op**') and Arthur (together with the Acquirers, the '**Addressees**') are required to hold separate the Arthur business from the Asda 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 requests for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to the Addressees carrying out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(h) and 6(l) of the Initial Order – Changes in store operations

The CMA understands from Co-op that two Arthur stores ([X]) are at risk of losing their [X] partner, [X], from [X]. The two stores in question are not [X] and the [X].

Co-op submits that it does not have any alternative proposals in the short term for a [X] partner who would be willing to take on these two [X], in light of the [X] involved.

The CMA understands that Arthur management intends to enter a discussion with Asda's [X] partner and agree an arrangement between that partner and Arthur as the most effective option to maintain the current services provided at both stores and to avoid ceasing [X] in the short term. Arthur would ask for Asda's assistance [X].

The CMA therefore consents to a derogation from paragraphs 6(h) and 6(l) of the Initial Order to permit:

- (i) Arthur management to enter a discussion with Asda's [X] partner and agree an arrangement between that partner and Arthur.
- (ii) Asda to provide [X] assistance to Arthur management [X].

The CMA consents to this derogation strictly on the basis that:

- a) The request concerns a very discrete issue for which this course of action would be the most appropriate available to Arthur given the time constraints to avoid ceasing [X] in the short-term. Moreover, this course of action would not be difficult or costly to reverse.
- b) This derogation will not result in any integration between Asda and Arthur.
- c) Information will be provided only to individuals listed in Annex 1 for whom it is strictly necessary to see Arthur information to arrange the contract with the [X] partner and provide [X] support. The individuals listed in Annex 1 will receive Arthur information only to the extent strictly necessary for the aforementioned purposes. Moreover, they shall each enter into non-disclosure agreements in a form approved by the CMA. The Addressees shall submit to the CMA a summary of the information shared with the individuals listed in Annex 1, should the CMA request this.
- d) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

2. Paragraphs 6(h) and 6(l) of the Initial Order – Changes in store operations

The CMA understands from [X]. The Arthur stores listed in Annex 2 are therefore at risk of losing their [X] partner from [X]. The decision was taken jointly by [X] due to [X] at the relevant locations. Specifically, [X].

Co-op does not have any alternative proposals for a [X] partner who would be willing to partner with these shops.

The CMA understands that Arthur management intends to inquire with Asda Group Limited as to whether any arrangements with [X] partners are in place and, if so, enter into a discussion with Asda's [X] partner(s) and agree an arrangement

between Asda's partner(s) and Arthur as the most effective option to maintain the current services. Arthur would ask for Asda's assistance [X].

The CMA therefore consents to a derogation from paragraphs 6(h) and 6(l) of the Initial Order to permit:

- (i) Arthur management to enter a discussion with Asda's [X] partner(s) and agree an arrangement between Asda's partner(s) and Arthur.
- (ii) Asda to provide [X] assistance to Arthur management [X].

The CMA consents to this derogation strictly on the basis that:

- a) The request concerns a very discrete issue for which this course of action would be the most appropriate available to Arthur given the time constraints to avoid losing the traffic brought to them by having a [X] partner. Moreover, this course of action would not be difficult or costly to reverse.
- b) This derogation will not result in any integration between Asda and Arthur.
- c) Information will be provided only to individuals listed in Annex 3 for whom it is strictly necessary to see Arthur information to arrange the contract with the [X] partner and provide [X] support. The individuals listed in Annex 3 will receive Arthur information only to the extent strictly necessary for the aforementioned purposes. Moreover, they shall each enter into non-disclosure agreements in a form approved by the CMA. The Addressees shall submit to the CMA a summary of the information shared with the individuals listed in Annex 3, should the CMA request this.
- d) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Acquisition.

Yours sincerely,

[X]

Adam Phillimore

Assistant Director, Mergers

16 March 2023

Annex 1

Name	Title
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]

Annex 2

No.	Affected Stores
1	[✂]
2	[✂]
3	[✂]
4	[✂]
5	[✂]
6	[✂]
7	[✂]
8	[✂]
9	[✂]
10	[✂]
11	[✂]
12	[✂]
13	[✂]
14	[✂]
15	[✂]
16	[✂]
17	[✂]
18	[✂]

Annex 3

Name	Title
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]
[✂]	[✂]