

## 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 8 January 2024**

### ACQUISITION BY PENNON GROUP PLC OF SUMISHO OSAKA GAS WATER UK LIMITED

We refer to your email of 13 February 2024 requesting that the CMA consents to a derogation from the Initial Enforcement Order of 8 January 2024 (the '**Initial Order**'). The terms defined in the Initial Order and any directions issued under the Initial Order have the same meaning in this letter.

Under the Initial Order, save with the written consent of the CMA, Pennon and the Target are required to hold separate the Target business from the Pennon business 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 Order, based on the information received from you and in the particular circumstances of this case, the Target may carry out the following actions, in respect of the specific paragraph:

#### **Paragraph 5(e) of the Initial Order**

The Target submits that, prior to and unrelated to the Transaction, it had plans, made in the ordinary course of business, to dispose of [X] (the '**Assets**'). Neither of the Assets are used in any way in the day-to-day business operations of the Target business. They simply form part of the Target's real estate portfolio.

The Target submits that it does not anticipate Pennon proposing to purchase either of the Assets. The Target therefore requests a derogation from paragraph 5(e) of the Initial Order to dispose of each of the Assets.

The CMA consents to the Target's request for a derogation on the basis that:

- (a) this derogation would not result in any integration between the Target business and the Pennon business or the transfer of ownership or control of the Target business (or any of its subsidiaries) to the Pennon business, nor would it impair the ability of the Target business or the Pennon business to compete independently in any markets affected by the Transaction.

(b) this derogation will not result in any disruption to, or impact the viability of the Target business; and

(c) the Target will notify the CMA if a Pennon Group business expresses interest in the sale of one or both of the Assets as a prospective purchaser, and obtain relevant consent from the CMA before exchanging any information with Pennon in relation to one or both of the Assets and/or proceeding with a sale of one or both of the Assets to a Pennon Group business.

Yours sincerely,

Matteo Alchini

Assistant Director, Remedies Business and Financial Analysis

20 February 2024