

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 8 March 2024 requesting that the CMA consents to derogation to 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 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 paragraphs:

Paragraphs 5(c) and 5(i) of the Initial Order

SESW submits that it anticipates needing to fill a key staff SESW position which became vacant on 29 February 2024 for reasons unrelated to the transaction. The position that SESW wishes to fill while the Initial Order is in force is the [REDACTED] department at the company, the details for which are listed in Annex 1, [REDACTED].

SESW therefore requests a derogation from paragraphs 5(c) and 5(i) of the Initial Order to fill in the [REDACTED].

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

- (a) this derogation will not result in any integration between the Target business and the Pennon business;
- (b) the [REDACTED] will not be filled by an employee or officer of Pennon without a separate derogation from the CMA;

- (c) the [✂] will be filled by an individual who has the requisite experience and expertise for that role;
- (d) SESW will notify the CMA prior to the appointment of an individual to the [✂] in its periodic compliance statements;
- (e) this derogation will not result in any disruption to, or impact the viability of the Target business; and
- (f) no other organisation changes will be made to the Target business as a result of the proposed changes.

Your sincerely,

Rachel Allen
Assistant Director, Mergers
21 March 2024

Annex 1 – The SESW Management Position

Business / Reporting Area	Role	Outgoing employee
[✂]	[✂]	[✂]