CMA
Competition & Markets Authority

# DEROGATION LETTER IN RESPECT OF INITIAL ENFORCEMENT ORDER ISSUED PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002

Dear [✂]

## Consent under section 72(3c) of the Enterprise Act 2002 (the Act) to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 23 July 2026

### Completed acquisition by Co-operative Group Limited of The Southern Co-operative Limited

We refer to your emails and accompanying submissions dated 17 and 25 June 2026 and related discussions regarding a request by CGL that the CMA grant certain derogations to the Initial Enforcement Order of 23 July 2026 (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, CGL is required to hold separate the business of CGL (and subsidiaries) from the business of Southern (and its subsidiaries) 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 requests for derogations from the Initial Order, based on the information received from you, and in the particular circumstances of this case, CGL may carry out the following actions, in relation to the specific paragraphs of the Initial Order listed below:

### Paragraphs 4, 5(a) and 5(l) of the Initial Order

CGL has requested that, in order to ensure that the Southern business can operate in the ordinary course of business and is maintained as a going concern, it may enter into a delegation of authority in a form agreed with the CMA (**Delegated Authority**). Under the Delegated Authority, Southern's CEO, Ben Stimson, would be permitted to escalate and discuss certain proposed conduct relating to the Southern business, which exceed the levels set out in the Delegated Authority, with Tim Cutting (Director of Corporate

Development, CGL). These matters would relate to circumstances which fall outside the ordinary course of business and are detailed in Annex 1 (Non Standard Acts). For those matters which are escalated to Tim Cutting, Tim Cutting should be permitted to approve or veto the relevant proposed action as identified in the Delegated Authority.

The CMA consents to a derogation from the Initial Order to enable Tim Cutting to approve or veto certain action by Southern exceeding the levels of the Delegated Authority provided that:

(1) The information shared by Ben Stimson with Tim Cutting is no more than is strictly necessary to allow him to reach a view on the specific matter at hand and should not include any competitively sensitive information other than that detailed in the Delegated Authority;

(2) Discussions will be limited to the specific matters listed in the Delegated Authority;

(3) Tim Cutting takes decisions on the escalated matters on his own and without involvement from any other CGL employee in the decision-making process except that Tim Cutting may discuss such matters with Dominic Kendal-Ward, CGL's Group Secretary and General Counsel, and with external advisers as required, all of whom shall keep such information confidential and use it only for this purpose;

(4) The CMA will be notified at least two working days in advance of CGL exercising its veto right under the Delegated Authority, including the reasons for any proposed veto by CGL;

(5) Tim Cutting will not be involved in commercial decision-making at CGL in respect of any activities in markets where the Parties overlap or attend meetings where such commercial decisions are to be made, whilst the Initial Order is in place; and

(6) Tim Cutting must sign a confidentiality agreement in a form agreed with the CMA.

It is a criminal offence under section 117 of the Enterprise Act 2002 for a person to recklessly or knowingly supply to the CMA information which is false or misleading in any material respect. Breach of this provision can result in fines, imprisonment for a term not exceeding two years, or both (section 117 of the Enterprise Act 2002). In addition, the CMA can impose penalties if a person has, without reasonable excuse, supplied to the CMA information which is false or misleading in any material respect (section 110(1A)) as described in Annex 2 and the Administrative penalties: Statement of Policy on the CMA's approach (**CMA4**).

Yours sincerely,

**Anastasija Rogozianskaja**
**Assistant Director, Mergers**

**Competition and Markets Authority**
**29 July 2026**

# ANNEX 1

## Non-Standard Acts

For the purpose of the Initial Order, the Non-Standard Acts are limited to the following:

| | Non-Standard Acts requiring CGL approval | Necessary competitively sensitive information |
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| **Authority for expenditure/sales** | | |
| 1. | Making any acquisition or disposal of any asset valued in excess of £[✂] or assets in aggregate valued in excess of £[✂] | |
| 2. | Other than capital expenditure items which have been approved by Southern in its latest pre-acquisition business plan, all projects involving capital expenditure above the value of £[✂]. | Details of the relevant project which may include competitively sensitive details. |
| **Amending/entering into commercial arrangements** | | |
| 3. | Entering into any arrangement, contract or transaction outside the normal course of the Southern business or otherwise than on arm's length terms | Details of the relevant arrangement which may include competitively sensitive details. |
| 4. | Giving notice of termination of any material arrangements, contracts or transactions, or materially varying any such arrangements, contracts or transactions except in the ordinary course of business. | |
| 5. | Appointing any agent or other intermediary to conduct any of the Southern business except in the ordinary course of business. | Details of proposed arrangement with agent/intermediary which may include competitively sensitive details. |
| **Remuneration and hiring/dismissal of staff** | | |
| 6. | Establishing or amending any profit-sharing, share option, bonus or other incentive scheme of any nature for directors or employees. | Individual remuneration data. |
| 7. | Establishing or amending any pension scheme or granting any pension rights to any director, officer, employee, former director, officer or employee, or any member of any such person's family. | |
| 8. | Dismissing any director, officer or employee in circumstances in which it incurs or agrees to bear redundancy or other costs in excess of £[✂] in total. | Individual remuneration data. |
| 9. | Hiring any officer, consultant, or employee at a rate in excess of £[✂] per annum. | Individual remuneration data. |
| 10. | Appointing any director. | |

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| 11. | Increasing the remuneration of any officer, consultant, director or employee to a rate in excess of £[✂] per annum. | |
| **Financing** | | |
| 12. | Issuing any loan capital or entering into any commitment with any person with respect to the issue of any loan capital except in the ordinary course of business. | |
| 13. | Incurring any new borrowing. | |
| 14. | Making any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits or in the ordinary course of business) or granting any credit (other than in the normal course of trading) or giving any guarantee (other than in the normal course of trading) or indemnity. | |
| 15. | Altering any mandate given to Southern's bankers relating to any matter concerning the operation of its bank accounts other than by the substitution of any person nominated as a signatory by the party entitled to make such nomination. | |
| 16. | Factoring or assigning any of Southern's book debts. | |
| **Structural changes** | | |
| 17. | Forming any subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not). | Details of proposed partner. |
| 18. | Amalgamating or merging with any other company or business undertaking. | Details of proposed merger partner. |
| **Other** | | |
| 19. | Passing any board resolution for Southern's winding up or presenting any petition for Southern's administration | |
| 20. | Creating or granting any encumbrance over the whole or any part of the Southern business, undertaking or assets or over any shares in it or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business. | |
| 21. | Making or permitting to be made any change in its accounting policies and principles adopted in the preparation of its audited and management accounts except as may be required to ensure compliance with relevant accounting standards under the Companies Act 2006 or any other generally accepted accounting principles in the United Kingdom. | |
| 22. | Changing Southern's auditors or Financial Year end. | |

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| 23. | Entering into any material agreements or settlements with tax authorities, or taking any non-routine tax positions, other than in the ordinary course of business. | |
| 24. | Granting any rights (by licence or otherwise) in or over any intellectual property owned or used by Southern. | |
| 25. | Instituting any legal proceedings or settling or compromising any legal proceedings (other than debt recovery proceedings in the ordinary course of business) instituted or threatened against Southern or submitting to arbitration or alternative dispute resolution in relation to any dispute. | Details of legal proceedings which may include competitively sensitive information. |
| 26. | Changing the nature of the Southern business or commencing any new business which is not ancillary or incidental to the Southern business. | |

# ANNEX 2

## Penalties for the provision of false or misleading information

### Imposition of civil penalties

(1) Under section 110(1A) of the Act, the CMA may impose a penalty on a person in accordance with section 111 of the Act where the CMA considers that:

(a) The person has, without reasonable excuse, supplied information that is false or misleading in a material respect to the CMA in connection of any of the CMA's functions under Part 3 of the Act;

(b) The person has without reasonable excuse, supplied information that is false or misleading in a material respect to another person knowing that the information was to be used for the purpose of supplying information to the CMA in connection with any function of the CMA under Part 3 of the Act.

(2) Under section 110(1C) of the Act, the CMA may not impose such a penalty in relation to an act or omission which constitutes an offence under section 117 of the Act if the person has, by reason of the act or omission, been found guilty of that offence.

### Amount of penalty

(3) Under section 111(1) of the Act, a penalty imposed under section 110(1A) of the Act shall be of such amount as the CMA considers appropriate.

(4) A penalty imposed under section 110(1A) of the Act on a person who does not own or control an enterprise shall be a fixed amount that must not exceed £30,000.

(5) Under section 111(4A) of the Act a penalty imposed under section 110(1A) of the Act on any other person shall be a fixed amount that must not exceed 1% of the total value of the turnover (both in and outside the United Kingdom) of the enterprises owned or controlled by the person.

(6) In deciding whether and, if so, how to proceed under section 110(1A) of the Act, the CMA must have regard to the statement of policy which was most recently published under section 116 of the Act at the time when the act or omission occurred.