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

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 email dated 7 July 2026 requesting that the CMA grant a derogation to the Initial Enforcement Order of 23 July 2026 (the **Initial Order**) in relation to the proposed discussion between CGL and Starbucks. 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:

Paragraph 5(l) of the Initial Order

CGL has sought CMA consent to hold high level discussions with Starbucks to enable a better understanding of the current relationship between Starbucks and Southern's subsidiary, Cobra Coffee Limited (**Cobra**), and [✂]. [✂]. The CMA grants this derogation on the basis that it will not lead to any pre-emptive action because:

(1) The Cobra business is entirely separate from Southern's groceries and funerals businesses (i.e. those businesses that overlap with CGL) and accordingly there is no possibility of this derogation impacting the CMA's ability to remedy any SLC that may be found in respect of the proposed transaction.

(2) Whilst the purpose of the discussions with Starbucks is to understand [✂], CGL will be in 'listening mode' and will not in any way negotiate on behalf of Southern/Cobra nor enter into any arrangement or agreement with Starbucks on behalf of Southern/Cobra.

(3) Any commercially sensitive information shared will be limited to that which is strictly necessary for the purposes of integration planning and CGL will make the purpose of the conversations clear to Starbucks.

(4) Further, as CGL is not active in the operation of coffee shops or cafes, none of the individuals involved in the conversations have roles which relate to this industry. In any event, these individuals include [✂], none of whom have commercial facing roles in CGL and all being members of the CGL clean team for integration planning purposes and who are subject to a non-disclosure agreement.

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,

Alex Lewis
Assistant Director, Mergers
Competition and Markets Authority
13 August 2026

ANNEX

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.