

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

Dear [X]

**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 dated 30 July 2026, 19 August 2026 and 21 August 2026 requesting that the CMA consents to 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 request for derogations from the Initial Order, based on the information received from you, and in the particular circumstances of this case, Southern may carry out the following actions, in respect to the specific paragraphs of the Initial Order listed below:

1. Paragraphs 5(c) and 5(i) of the Initial Order – Head of [X]

Southern submits that, prior to the imposition of the Initial Order, [X], Interim Head of [X] at Southern resigned from the Southern business on [X]. The CMA understands that [X] is due to leave the Southern business on [X]. [X] is considered to be ‘key staff’ within the meaning of the Initial Order.

Southern explains that it [X], and instead, Southern will redistribute [X]'s responsibilities to [X] existing [X] team members from [X], following [X]'s departure. These [X] team members are: [X]

The CMA consents to a derogation from paragraphs 5(c) and 5(i) of the Initial Order, permitting the key staff change outlined above, strictly on the basis that:

- (1) Southern has represented that it has taken all reasonable steps to encourage [X] to remain with the Southern business;
- (2) [X] have the necessary skills, experience and capacity to perform [X]'s responsibilities in addition to their existing roles within the Southern business. Hence, the departure of [X] and handover of [X] responsibilities to [X] will not impact the ongoing operation and/or viability of the Southern business;
- (3) For the avoidance of doubt, none of [X]'s responsibilities will be redistributed to any CGL staff, and this derogation will not lead to any integration with the CGL business;
- (4) No other organisational changes or key staff changes will be made to the Southern business as a result of this derogation; and
- (5) This derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

2. Paragraphs 5(c) and 5(i) of the Initial Order – Head of [X]

Southern submits that, prior to the imposition of the Initial Order, [X] (Head of [X]) resigned from the Southern business on [X]. The CMA understands that [X] is due to leave the Southern business on [X]. [X] is considered to be 'key staff' within the meaning of the Initial Order.

As concerns the replacement of [X]'s role and existing responsibilities, Southern has decided:

- (a) to recruit a [X];
- (b) to reallocate [X]'s existing responsibilities for [X] to [X] at Southern. Southern submits that this responsibility [X].
- (c) to appoint [X]. Southern has explained that [X] and [X].

The CMA consents to a derogation from paragraphs 5(c) and 5(i) of the Initial Order, permitting both the recruitment and appointment of [X], and reallocation of [X]'s responsibilities as described above, strictly on the basis that:

- (1) Southern has represented that it has taken all reasonable steps to encourage [X] to remain with the Southern business;
- (2) Once a candidate has been identified by Southern to fulfil the [X] role, Southern will:
 - (a) provide the CMA, in writing, with the following information:
 - name of the candidate;
 - a short explanation as to why the candidate has the necessary skills and experience to fulfil the responsibilities of the [X] role;
 - Confirmation that the candidate has no ongoing financial or non financial interests in CGL (or details of any interest in CGL will otherwise be provided to the CMA); and
 - Confirmation that the candidate has been recruited and selected by Southern, independently of CGL.
 - (b) seek the CMA's prior written consent to appoint the candidate to the [X] role (with such consent to be provided by e-mail should the CMA be satisfied with the information provided).
- (3) [X] has the necessary skills, experience and capacity to perform the [X] aspect of [X]'s role, in addition to his existing responsibilities within the Southern business.
- (4) [X]: (i) is entirely independent of CGL, (ii) will operate under [X], and (iii) holds the necessary expertise and capacity to [X];
- (5) the handover of [X]'s current responsibilities to the [X], [X], will be organised in a timely and orderly fashion such that [X]'s departure will not impact the ongoing operation and/or viability of the Southern business;
- (6) For the avoidance of doubt, none of [X]'s responsibilities will be redistributed to any CGL staff, and this derogation will not lead to any integration with the CGL business;
- (7) no other organisational changes or key staff changes will be made to the Southern business as a result of this derogation; and
- (8) this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

3. Paragraphs 5(c) and 5(i) of the Initial Order – [X]

Southern submits that [X] ([X]) tendered his resignation on [X] and is due to leave the Southern business on [X]. [X] is considered to be 'key staff' within the meaning of the Initial Order.

Southern intends to recruit [X] for the role performed by [X] as soon as possible.

The CMA consents to a derogation from paragraphs 5(c) and 5(i) of the Initial Order, permitting the appointment of a new individual to the [X] role, strictly on the basis that:

- (1) Southern has represented that it has taken all reasonable steps to encourage [X] to remain with the Southern business;
- (2) Once a candidate has been identified by Southern to fulfil the [X] role, Southern will:
 - (a) provide the CMA, in writing, with the following information:
 - name of the candidate;
 - a short explanation as to why the candidate has the necessary skills and experience to fulfil the responsibilities of the [X] role;
 - Confirmation that the candidate has no ongoing financial or non financial interests in CGL (or details of any interest in CGL will otherwise be provided to the CMA); and
 - Confirmation that the candidate has been recruited and selected by Southern, independently of CGL.
 - (b) seek the CMA's prior written consent to appoint the candidate to the [X] role (with such consent to be provided by e-mail should the CMA be satisfied with the information provided).
- (3) For the avoidance of doubt, none of [X]'s responsibilities will be redistributed to any CGL staff, and this derogation will not lead to any integration with the CGL business;
- (4) no other organisational changes or key staff changes will be made to the Southern business as a result of this derogation; and
- (5) this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

4. Paragraphs 5(c) and 5(i) of the Initial Order – Interim Head of [X] and Interim [X]

The Southern business intends to recruit both an Interim Head of [X] and an Interim [X]. Southern submits that it has been managing the Head of [X] role by [X].

With respect to the [X], Southern submits that it wishes to recruit for this role [X]. Southern considers that there are no individuals within the Southern business with the capacity to undertake the role of [X] alongside their existing finance roles.

Both the Interim Head of [X] and Interim [X] roles are considered to be ‘key staff’ roles within the meaning of the Initial Order.

The CMA consents to a derogation from paragraphs 5(c) and 5(i) of the Initial Order, permitting the appointment of the Interim Head of [X] and Interim [X] roles, strictly on the basis that:

- (1) Once candidates have been identified by Southern to fulfil the Interim Head of [X], and Interim [X] roles, Southern will:
 - (a) provide the CMA, in writing, with the following information:
 - name of the candidates;
 - a short explanation as to why each of the candidates has the necessary skills and experience to fulfil the responsibilities of either the Interim Head of [X] role, or the Interim [X] role;
 - Confirmation that the candidates have no ongoing financial or non financial interests in CGL (or details of any interest in CGL will otherwise be provided to the CMA); and
 - Confirmation that the candidates have been recruited and selected by Southern, independently of CGL.
 - (b) seek the CMA’s prior written consent to appoint the candidates to the Interim Head of [X], and Interim [X] roles (with such consent to be provided by e-mail should the CMA be satisfied with the information provided).
- (2) no other organisational changes or key staff changes will be made to the Southern business as a result of this derogation; and
- (3) this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA’s decision on a reference.

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
26 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.