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 submissions dated 27 August 2026 and 1 September 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 extension of CGL's insurance cover to Southern's assets. 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 and Southern may carry out the following actions, in relation to the specific paragraphs of the Initial Order listed below:

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

CGL and Southern (**the Parties**) are seeking CMA consent to permit CGL to extend its insurance policy to cover the assets of the Southern business given that Southern's own policy expires [✂].

The Parties submit that the addition of Southern's assets within CGL's insurance policy is a purely administrative step and will not have any impact upon the commercial direction or day-to-day operation of the Southern business.

The CMA consents to a derogation from paragraphs 5(a), 5(g) and 5(l) of the Initial Order to: (i) permit CGL to engage with Southern in order to extend CGL's insurance policy to the Southern business, and (ii) for CGL and Southern to liaise should any potential claims need to be raised with CGL by the Southern business. This derogation is granted strictly on the basis that:

(1) such actions are necessary to ensure the effective maintenance of the Southern business as a going concern;

(2) Southern information provided to CGL will be limited to that which is strictly necessary for CGL to extend its insurance cover to Southern, and to understand the basis of any potential future claims by Southern. To the extent that commercially-sensitive and confidential information needs to be shared by Southern with CGL, such information will only be provided to the following individuals at CGL, for whom it is strictly necessary to see Southern's information: [✂] (the **CGL Authorised Individuals**);

(3) only [✂] are permitted to liaise directly with CGL for the purposes of this derogation (the **Southern Authorised Individuals**);

(4) the CGL Authorised Individuals do not have any responsibility for the commercial or strategic operations of CGL, and shall not use any information provided by Southern in any way to intervene in the management or operation of the Southern business;

(5) the CGL Authorised Individuals shall enter into a non-disclosure agreement in a form approved by the CMA;

(6) firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within CGL from accessing the information shared by Southern with the CGL Authorised Individuals for the purposes of this derogation;

(7) no change to the Southern Authorised Individuals and CGL Authorised Individuals is permitted without the prior written consent of the CMA (which can be provided via email);

(8) the inclusion of Southern within CGL's insurance arrangements will not be difficult or costly to reverse;

(9) should the Merger be prohibited, CGL will ensure that any confidential information received from Southern for the purposes of this derogation will be returned to the Southern business and any copies destroyed, except to the extent that record retention is required by law or regulation; and

(10) 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
3 September 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.