

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 20 August 2024

Acquisition by Barratt Developments plc of Redrow plc

We refer to your submission dated 9 August 2024 requesting that the CMA consents to derogations from the Initial Enforcement Order issued on 20 August 2024 (the '**Initial Order**'). Unless otherwise stated, 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, Barratt and Redrow (together, the **Parties**) are required to hold separate the Barratt business from the Redrow business and refrain from taking any action which might prejudice a reference under section 22 or 33 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, the CMA consents to the Parties carrying out the following actions, in respect of the specific paragraphs:

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

The CMA understands from the Parties that the Merger will be effected by a court-sanctioned scheme of arrangement and that a court hearing is scheduled for 20 August 2024. The CMA understands that options granted under certain Redrow share plans will vest and become exercisable on the date on which the court sanctions the scheme of arrangement, and that certain participants in the Redrow share plans will be legally entitled to receive Barratt shares in exchange for the Redrow shares which they receive pursuant to the exercise of their Redrow options post-closing.

The CMA also understands that Redrow and Barratt have agreed arrangements in respect of the Redrow share plans under a co-operation agreement entered into between the Parties on 7 February 2024 in respect of the Merger and subsequently communicated to relevant participants as required by Rule 15 of the Takeover Code, including granting options over Barratt shares to certain share plan participants who have elected to rollover and granting conditional awards to certain share plan participants to replace the value of their awards that is lost due to time pro-rating as a result of the Merger. The Parties submit that it is therefore necessary that Barratt is able to satisfy the entitlements of such participants to ensure they are not negatively impacted by the Merger.

On consideration of the specific facts and circumstances of this case, the CMA consents to a derogation from paragraphs 4(a), 5(a), 5(e) and 5(l) of the Initial Order allowing the Parties to implement steps relating to Redrow's share plans, including satisfying options under such plans by issuing new shares in Barratt; granting options over Barratt shares to certain share plan participants who have elected to rollover; and granting conditional awards to certain share plan participants to replace the value of their awards that is lost due to time pro-rating as a result of the Merger (together, the **Permitted Actions**). The CMA consents to this derogation strictly on the basis that:

- (1) This derogation will not result in Barratt having any influence over the commercial or strategic direction of Redrow or Redrow having any influence over the commercial or strategic direction of Barratt.
- (2) This derogation will not result in Redrow staff being disincentivised from acting in the best commercial interests of Redrow.
- (3) This derogation will not lead to any decrease in overall compensation for affected Redrow employees, each of whom will be fully incentivised to remain with the Redrow business.
- (4) Redrow information provided to Barratt will be limited to what is strictly necessary for the Permitted Actions, and it will be shared exclusively with [X] (the "**Authorised Individual(s)**") for whom it is strictly necessary to see the relevant Redrow information.
- (5) The Authorised Individual(s) do not have a commercial or strategic role with Barratt and shall not use any information provided by Redrow in any way to intervene in the management or operation of Redrow, or for any purpose other than the Permitted Actions.
- (6) The Authorised Individual(s) shall be subject to non-disclosure agreements in a form approved by the CMA (such as the clean team agreement entered into between the Parties). The Parties shall submit to the CMA a summary of the information shared with the Authorised Individuals, should the CMA request this.

- (7) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within Barratt from accessing the information shared with the Authorised Individuals for the purposes of this derogation.
- (8) No changes to the Authorised Individuals are permitted without the prior written consent of the CMA (including via email).
- (9) Should a divestment be required by the CMA in relation to the Redrow business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from the Redrow business for the purposes of this derogation will be returned to the Redrow business and any copies destroyed, except to the extent that record retention is required by law or regulation.
- (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.

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

The CMA understands from the Parties that Barratt has legal obligations vis-à-vis its lenders under its revolving credit facility and US private placement notes. Redrow will be automatically brought under these lending facilities by virtue of becoming a wholly owned subsidiary of Barratt after the Merger closes. The CMA therefore understands that it is necessary that Redrow (i) obtains Barratt's approval prior to taking an action that relates to covenants, events of default or representations under Barratt's revolving credit facility and / or US private placement notes, and (ii) notifies Barratt of any events that may impact the covenants, events of defaults or representations under Barratt's revolving credit facility and US private placement notes, to ensure that Redrow does not breach Barratt's legal obligations.

On consideration of the specific facts and circumstances of this case, the CMA consents to a derogation from paragraphs 4(a), 5(a) and 5(l) of the Initial Order to permit Redrow and its subsidiaries being required to (i) seek Barratt's approval to take actions that relate to the covenants, events of default or representations under Barratt's revolving credit facility and US private placement notes (the **Relevant Actions**) and (ii) notify Barratt of any events that may impact the covenants, events of defaults or representations under Barratt's revolving credit facility and US private placement notes (the **Relevant Events**). The CMA consents to this derogation strictly on the basis that:

- (1) Only [X] (the "**Finance Authorised Individual(s)**") will receive information on Relevant Event and decide upon Relevant Actions.

- (2) In the event of a proposed veto of a Relevant Action by the Finance Authorised Individual(s), the Finance Authorised Individual(s) will notify the CMA, in advance of any veto, of the reasons why they consider that the Relevant Action could lead to a breach of Barratt's banking covenants, events of default of representations.
- (3) The Relevant Actions and Relevant Events will be limited to those items listed in Annex 1, unless otherwise agreed with the CMA via email.
- (4) The Finance Authorised Individuals do not have a commercial or strategic role with Barratt and shall not use any information provided by Redrow in any way to intervene in the management or operation of Redrow, or for any purpose other than the purpose for which this derogation was granted.
- (5) The Finance Authorised Individuals shall be subject to non-disclosure agreements in a form approved by the CMA (such as the clean team agreement entered into between the Parties). The Parties shall submit to the CMA a summary of the information shared with the Finance Authorised Individuals, should the CMA request this.
- (6) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within Barratt from accessing the information shared with the Finance Authorised Individuals for the purposes of this derogation.
- (7) No changes to the Finance Authorised Individuals are permitted without the prior written consent of the CMA (including via email).
- (8) Should a divestment be required by the CMA in relation to the Redrow business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received from the Redrow business for the purposes of this derogation will be returned to the Redrow business and any copies destroyed, except to the extent that record retention is required by law or regulation.
- (9) 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.

Yours sincerely,

Matteo Alchini
Assistant Director, Mergers
20 August 2024

Annex 1 – Relevant Actions / Events

- **Status:** any failure by a member of the Redrow group to have the power to own its assets and carry on its business;
- **No conflict:** any action that would cause conflict with the terms of the revolving credit facility with the terms of any constitutional documents or any other agreement or instrument binding on the Redrow group companies;
- **Proceedings:** any commencement or threat of any litigation, arbitration administrative, governmental, regulatory proceedings or other investigation of or before any court or arbitral body or agency which might reasonably be expected to have a material adverse effect on the Redrow group;
- **Default:** any event or circumstance is outstanding which constitutes a default under any agreement or instrument binding on a member of the Redrow group or its assets which might have a material adverse effect;
- **Environmental matters:** any failure buy a member of the Redrow group to maintain or election to not maintain any environmental or health and safety approvals or the commencement or threat of any claim in relation to breach of environmental or health and safety laws or any circumstances that may result in a claim;
- **Compliance with laws:** any failure by a member of the Redrow group to be in compliance with all laws, including sanctions, environmental and health and safety laws and laws and contracts relating to pension schemes;
- **Negative pledges:** any action to grant security or quasi security over any assets, subject to certain exceptions;
- **Disposals:** any sale or other disposal of any asset, subject to certain exceptions (which shall include disposals made in the ordinary course of business (such as disposals of land) at the best price reasonably obtainable in the open market on an arm's length basis);
- **Merger:** any entry into any amalgamation, demerger, merger or corporate reconstruction;
- **Change of business:** any change to the general nature of the business of the Redrow Group;

- **Financial indebtedness and guarantees:** no member of the Redrow group shall incur any financial indebtedness or provide any guarantee, subject to certain exceptions; and
- **Insurance:** any failure by any member of the Redrow group to ensure its business and assets are insured or any election to not insure such assets;
- **Acquisitions:** no member of the Redrow group shall make any acquisitions or investments, subject to certain exceptions (which shall include acquisitions made in the ordinary course of business such as purchase of land);
- **Pensions:** any failure by any member of the Redrow group to, or election to not, maintain, administer or fund any of its pension schemes to the extent required by law, statute, rules, regulations and practice or a court orders any pension plan involuntarily terminated, wound-up or any member of the Redrow group becomes subject to the imposition of a financial penalty in respect of a pension plan;
- **Access:** if a default is continuing failure to permit the agent under the Barratt RCF to (i) visit or inspect the offices and properties of each member of the Redrow group (at such reasonable times and as reasonably requested in writing), and (ii) in relation to any member of the Redrow group examine all their books of account, records, reports and other papers to make copies and extracts therefrom and to discuss the affairs, finances and accounts with officers of any member of the Redrow group as may be requested;
- **Maintenance of Properties:** any failure by any member of the Redrow group to, or election to not, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times;
- **Corporate existence:** any failure to, or election to not, preserve and keep in full force and effect the corporate existence of each member of the Redrow group and all of their rights and franchises unless not doing so would not have a material adverse effect on the business, assets or financial condition of the Redrow group;
- **Taxes:** any failure by any member of the Redrow group to, or election to not, file any tax return required to be filed or pay and discharge all tax shown to be due and payable on such returns or pay all other taxes, assessments, governmental charges or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable;
- **Books and records:** any failure by any member of the Redrow group to, or election to not, maintain proper books of record and account in conformity with GAAP and all

applicable requirements of any governmental authority having legal or regulatory jurisdiction over the Group;

- **Transactions with Affiliates:** entry, directly or indirectly, into any transaction or group of related transactions with any Affiliate Company (being an affiliate that is not part of the Barratt Group or any person/ entity owning [X]. or more of the voting or equity interests in any member of the Barratt Group);
- **Anti-corruption:** failure by any member of the Redrow group to, or election to not, conduct its business in compliance with applicable anti-corruption laws and (ii) maintain policies and procedures designed to promote and achieve compliance with such laws, in each case, in all material respects;
- **Cross default:** any financial indebtedness (that is no less than £[X]) of any member of the Redrow group: (i) is not paid when due nor within any originally applicable grace period (ii) is declared or otherwise becomes due and payable prior to its maturity; (iii) is cancelled or suspended as a result of an event of default; or (iv) the creditor in respect of which becomes entitled to declare it due and payable prior to its specified maturity as a result of an event of default;
- **Insolvency:**
 - A Redrow group member is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more classes of its creditors with a view to rescheduling any of its indebtedness;
 - The value of the assets of any Redrow group member is less than its liabilities (taking into account contingent and prospective liabilities);
 - A moratorium is declared in respect of any indebtedness of any Redrow group member;
- **Insolvency proceedings:** any corporate action, legal proceedings or other procedure or step is taken (that is not frivolous or vexatious and discharged within [X] or which is not in respect of an amount less than £[X]) in relation to a Redrow group member in respect of a suspension of payments, moratorium, winding up, dissolution, compromise or arrangements with creditors, appointment of an liquidator, receiver, administrator, compulsory manager, or the enforcement of any security over any assets of any Redrow group member;
- **Creditors process:** any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a Redrow group member having an aggregate value of at least £[X] and is not discharged within [X].
- **Final judgements:** A final judgment or judgments for the payment of money (or its equivalent in the relevant currency of payment) are rendered against one or more of

the Redrow group and which judgments are not, within [✂] after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within [✂] after the expiration of such stay; and

- **Material adverse change:** Any event or series of events occurs which might reasonably be expected to have a material adverse effect on the business, assets or financial condition of the Redrow group, or there is a material adverse change to the business or financial condition of the Redrow group since the date since the date the most recent financial statements of Barratt Development plc have been delivered to the agent.