Severfield

Competition Law Compliance Policy

Severfield plc

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INTRODUCTION

Introduction by Paul McNerney, Chief Executive Officer of Severfield plc ("Severfield")

This competition law compliance policy (the "Policy") sets out the policy and principles adopted by Severfield to ensure it complies with competition law. Integrity is one of our core values and this means that we will conduct our business lawfully and ethically. This includes absolute compliance with competition law. Please study this booklet carefully, and if you have questions, do not hesitate to ask your manager or contact the Group Legal Director.

Failure to comply with competition law may result in serious consequences for Severfield and for individual employees. For Severfield these could include the imposition of heavy fines, damage to our reputation, important contracts becoming unenforceable and third parties being able to sue Severfield for damages. Individuals concerned could face imprisonment and/or fines and, in the case of existing directors, disqualification from holding the office of a company director.

Accordingly, any infringement of our Policy of full compliance with these laws, whether deliberate or otherwise, including a failure to seek legal advice where this is required under our Policy, should be reported, whether as a whistleblowing disclosure or otherwise, and will be treated very seriously.

Paul McNerney Chief Executive Officer

OUTLINE OF COMPETITION LAW

Overview

Broadly speaking, the competition rules are intended to prevent two types of anti-competitive behaviour:

- Anti-competitive arrangements or agreements;
- Abusive conduct by companies that hold a dominant position on the market.

Each of these prohibitions is described in greater detail below.

Chapter I Prohibition - anti-competitive arrangements

Chapter I of the Competition Act 1998 prohibits any agreement or practice between two or more businesses that prevents, restricts or distorts competition in the UK and has an effect on trade within the UK.

If, for example, you arrange with a competitor to fix prices, or to allocate customers or markets, the arrangement will be prohibited by Chapter I.

For the purposes of the Chapter I Prohibition, agreements can be either written or oral and may be formal or informal arrangements such as a "gentleman's agreement". Thus, a social meeting at which two competitors informally "agree" to share customer information and not to undercut each other's prices will be caught by the prohibition.

Chapter II Prohibition - abuse of a dominant position

Chapter II of the Competition Act 1998 makes it illegal for a company with market power (referred to as a "dominant position") to unfairly exploit its position to exclude competitors or exploit **customers in a way** which may affect trade within the UK: for example, by imposing excessively high prices, offering prices to customers that are below cost, or discriminating between customers without justification.

Generally speaking, Severfield is unlikely to be regarded as dominant in the markets in which we operate.

The competition authorities and their powers

- Investigation and regulation of competition law is overseen in the UK by the Competition and Markets Authority ("CMA").
- The CMA has the power to enter and search premises (including employees' homes) where it suspects that there has been a breach of the competition rules. Investigators may require any person on the premises to produce documents which may be relevant to an investigation (including information held on computer); to provide explanations of such documents; take copies of relevant documents away with them; and to answer questions relevant to the investigation.
- **In the event that your office is raided by the CMA as part of an investigation, please inform the Group Legal Director and the CFO immediately.**
- Ultimately, the CMA has the power to impose financial penalties for breach of either the Chapter I Prohibition or the Chapter II Prohibition of up to 10% of a company's worldwide group turnover and to disqualify directors from holding the office of director or otherwise acting in the management of a company for up to 15 years.

Cartel offence

In addition to the Prohibitions outlined above, it is a criminal offence for two or more individuals to make or implement agreements between competing companies to fix prices, share markets, limit production or supply, or to rig bids, even if acting in good faith.

An individual found guilty of the cartel offence will be liable to a criminal sentence of up to five years' imprisonment instead of, or in addition to, an unlimited fine.

BIDDING

Overview

- Severfield must formulate and make bids for contracts independently from and without any agreement or arrangement with its competitors.

Bid rigging

- Severfield must not enter into agreements or discussions with competitors concerning the pricing of bids or bidding strategies, regardless of whether the tender is issued by a public authority or a private entity. This includes not engaging in the following conduct:-
    - cover bidding (competing bidders agree to submit token bids that are almost certain to fail to win the tender as they are too high, not meeting the criteria of the tender, or containing particular conditions that are unacceptable to the buyer);
    - bid rotation (competing bidders take turns at submitting the "winning" bid. The rotation may be based on different criteria such as size of the project, size of each participant, geographic location of projects, or simply a chronological order).
    - bid suppression (competitors, who would normally be expected to bid for a tender, agree not to submit a bid or to withdraw an existing bid to ensure that the predetermined bidder "wins").
    - sub-contract bid rigging (competitors agree not to bid (or to bid too high) on condition, or on the basis of some form of understanding, that parts of the successful contract will be awarded to them as sub-contractors).
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Joint bidding arrangements

- Where Severfield is collaborating as part of a joint venture or consortium in order to bid for a contract, there may be additional competition law risks. You should consult with the Group Legal Director before discussing any form of collaboration with a party that competes with Severfield.
- Where it is partnering with a competitor, Severfield must ensure that the purpose of partnering is not simply to avoid competition with the other party for the contract in question and/or to carve up elements of the work. In addition, the client must be made aware that the parties intend to partner and be given the opportunity to consent to the arrangements.
- In addition, Severfield must be careful not to exchange any pricing, or other commercially sensitive information with the other partner(s), save to the extent necessary to submit the bid or deliver the project in question. This will be the case particularly where the joint venture parties are each other's actual competitor (i.e. provide the same services) but will also be the case where the parties could be each other's potential competitor.
- If the parties are actual (or potential) competitors, there is a greater risk of information exchange and possible co-ordination on the market. Generally speaking, the exchange of confidential commercially sensitive

information between competitors is prohibited under competition law. Legal advice should therefore be sought at an early stage to ensure that the necessary protection is afforded to Severfield.

- Only commercially sensitive information which is necessary for the operation of the joint venture will be permissible provided the information is disseminated on a need-to-know basis and the necessary safeguards, such as ring-fencing, exist. Such safeguards should be in place in any discussions to form a joint venture and throughout the life of any joint venture that is formed.

- If you intend to exchange such information with another party who could be a competitor to Severfield you should first seek the consent of the Group Legal Director. Information which does not need to be exchanged for the purposes of the project in question (for example relating to other projects or Severfield's wider pricing or strategy) should NEVER be exchanged with a competitor. Additional guidance on the exchange of commercially sensitive information is provided below.

Record keeping

- You should never ask competitors to reveal what they bid and you must not tell competitors what Severfield bid for particular projects.

- You may seek feedback from clients.

- Severfield should record the following data for evidence of compliance:

    - In the event that Severfield withdraws from a bid, the reason for such withdrawal and the fact that such decision was made independently: and

    - Where feedback is given to Severfield from the customer inviting tenders, details of how Severfield's price compared to the winning/losing bids. Where it is not obvious that the information in question originated from a customer, you should ensure to make a note on the face of the document and/or on file as to where it came from.

DO'S AND DON'TS **Bidding for Contracts**
Do Not:
Agree or discuss with competitor(s): • the price or terms which Severfield proposes to include in bids for contracts • Severfield's proposed response to bid requests • whether Severfield proposes to respond to bid requests • the allocation of contracts amongst competitors • "cover pricing" (a price which either Severfield or a competitor could bid so as not to win a contract)
Do:

Seek advice on:

- Consortia, joint ventures or joint bids with competitors

DEALING WITH COMPETITORS

Overview

As a general rule you should avoid any discussions, information exchanges or agreements with competitors or potential competitors. However, obtaining information about competitors that is legitimately in the public domain is acceptable.

Price setting

Discussions which concern any element of the prices charged/accepted/planned by Severfield or competitors, or which result in an agreement with competitors as to the prices to be charged or accepted, are strictly prohibited. This includes discussion of matters relating to pricing such as discounts, premiums and timing of price changes. Even providing or receiving information on pricing or key elements of price could amount to a breach of the Chapter I Prohibition.

Discussing Severfield's business with competitors

Besides the restriction on discussing pricing mentioned above, you must not discuss, agree or exchange commercially sensitive information with competitors, which includes the following:

- **Terms and Conditions** - the terms or conditions which Severfield has agreed, or plans to agree, with its customers and any proposed changes to such terms and conditions, e.g. credit terms, to be negotiated with its customers.

- **Customer Arrangements -** information relating to the identity of certain customers or the terms on which they are supplied. Competitors must not arrange joint boycotts of certain suppliers, customers or other competitors (but you may be able to take individual action if objectively justified, e.g. on the basis that a customer is a credit risk).

- **Geographical Markets –** competitors are not allowed to agree not to compete in each other's geographical markets.

- **Business Activities –** information about business policies, business plans, e.g. planned acquisitions, or product lines. Competitors must not agree not to compete in each other's product market.

- **Supply terms -** the prices of key raw materials that you both purchase.

Exchange of Competitively Sensitive Information

"Competitively sensitive information" means any information which would not normally be made public and which discloses Severfield's or its competitors' customer strategy or the terms it offers, for example: current and future pricing (including discounts); project or product-specific margins or production costs; future plans product or projects which have not already been announced to the market; target markets or customers; information on sales or market shares by specific product or project type; procurement strategies and details of negotiations with suppliers; or any other matter affecting competition.

Information which Severfield is required to publish to its investors or which it would be comfortable announcing to the market (because the information in question is not a business secret) is not likely to be regarded as "competitively sensitive".

The exchange of competitively sensitive information that allows companies to adjust their conduct in the market is also prohibited. For example, if Severfield is aware that a competitor is expecting a significant increase in production costs, this may give Severfield confidence to implement a price increase which it might otherwise not have done for fear of adverse customer reaction.

Therefore you should never**:**

- exchange competitively sensitive information such as current and future pricing; margins; profits and costs; future projects and technologies; marketing strategies; market share, production and capacity data; future investment plans; future contracts and customer wins or losses; or
- contact a competitor to verify information received from another source.

You should check with the Group Legal Director:

- before disclosing any potentially competitively sensitive information to a competitor;
- if a competitor ever proposes an improper discussion or agreement, or unilaterally discloses competitively sensitive information to you;
- if you receive a competitor's price list or other competitor's price information from a third party. If you receive information on a competitor's prices from a third party you should also immediately note the source of the information and the date it was obtained on the face of the material;
- if you wish to exchange historical data on prices, sales volumes or sales value to a third party for statistical analysis - for example by a trade association; or
- if you believe you may need to exchange information for the purpose of an acquisition, joint venture or supply arrangement with a competitor.

You may obtain information about a competitor's business activities from public sources or which is readily known in the market.

Business and social contact

You are likely to meet with competitors on a business or social basis (e.g. a supplier's golf day). You must be careful about what you discuss with competitors (and indeed any third parties) as the rules in this section apply even to informal situations.

DO'S AND DON'TS **Dealing with Competitors**
Do Not:
Discuss, agree or exchange information with competitors on: • prices, discounts, premiums, price changes or production costs • terms and conditions applicable to third parties • customer arrangements • product or geographical markets

- business activities, for example business policies and plans
- terms on which we purchase supplies (paint, bolts etc) or raw materials (steel)

DEALING WITH SUPPLIERS

Supply agreements

Competition issues can arise if the agreement is exclusive - eg where Severfield agrees to buy its entire requirement of a particular service or product from one supplier (exclusive purchasing), or where a supplier agrees only to supply Severfield (exclusive supply). If either the buyer or the seller has significant market share, entering into a long-term exclusive supply agreement may cause competition concerns.

DO'S AND DON'TS Dealing with Suppliers
Do Not:
• Discuss the price that Severfield will charge its customers for the items supplied • Discuss or agree with suppliers or sub-contractors the price (including discounts or premiums) which they charge their other customers • Enter into exclusive supply or purchasing arrangements or non-competes without seeking legal advice

TRADE ASSOCIATIONS (BCSA/UKCG)

Overview

The boxes below give examples of topics that should and should not be discussed at trade association meetings.

Acceptable
• Health and safety standards • Transportation hazards and regulations • Co-operation in employee training • Plans to lobby government bodies • The adoption of industry standards • Industry wide statistical information which is anonymous and aggregated

Unacceptable
• Any discussion relating to prices, margins, costs etc • Competitively sensitive information (as defined above) • Statistical information relating to particular companies (e.g. sales, volumes etc) • Collective action including, for example, collective refusals to supply or to deal with suppliers.

If you are at a trade association meeting and a discussion begins on any of the matters in the right-hand box either ask that the discussion be ended or leave the meeting. In either case, ensure that your objection or departure is noted and inform the Group Legal Director of the incident by telephone.

Note that trade associations may recommend standard trading terms to members, provided the terms do not relate to price or how members compete with each other. However, if such a recommendation is made to members of the association, including Severfield, please discuss this with the Group Legal Director before acting on the recommendation.

RECORD KEEPING AND COMMUNICATIONS

Overview

The CMA have powers to compel companies to supply documents to them in the course of their investigations. They may conduct dawn raids to search for and seize relevant documents. The disclosure of such documentation may also be required by the Courts in any legal proceedings (generally only correspondence with legal representatives will be privileged and so protected from disclosure). As a result of this, internal business communications may have to be disclosed to competition authorities or, in the context of legal proceedings, to the other side. With this in mind, records should be kept and internal business communications must be written with care to avoid lawful activity being perceived as suspicious.

The following literary policies are suggested with a view to avoiding problems:

- Avoid suspicious phrases (e.g. *"please destroy this memo after reading it" or "for your eyes only"*), which tend to suggest that the memo describes illegal or unethical activity.
- Do not speculate as to whether particular activity may be unlawful and do not repeat or paraphrase legal advice in internal communications.
- Do not give the impression that prices charged or terms offered by Severfield are based on anything other than an independent business decision by Severfield.
- Do not exaggerate or use aggressive language (e.g. *"as a result of this, Severfield will dominate the market"* or “there are huge barriers to entry in the market”).
- Do not state that you are following industry or trade association policies or practices in setting prices or other commercial terms.

Take care with emails, WhatsApp, SMS and voicemail

As well as being able to harvest emails and documents, the CMA can access data sources such as messaging, SMS, WhatsApp and voicemail. You should therefore take as much care in sending messages by email, WhatsApp or SMS or leaving them on voicemail as you would when sending a letter. Assume that all e-mail, SMS, WhatsApp or voicemail messages may be read or heard by others.