COMPETITION POLICY

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PART 1 – TRAINING[1]

Training

Regular training, dialogue and tuition in relation to the competition law compliance policy and its principles is essential and expected in terms of best practice.

Employees within your organisation should be identified as a high, medium or low risk and training should be adapted accordingly. For example, high risk employees would include those who have contact with competitors or who are engaged in marketing and sales; as opposed to low risk back office functions.

Training should be at least annual and tailored to the level of employee risk. For example, tailored face to face training for high-risk employees and more generic high level awareness training for low-risk employees.

[1] Please note this is a non-exhaustive summary. The full policy should be reviewed and assessed for further training, practical and procedural implications and updates that are specific to your business.

PART 2 – COMPETITION POLICY

1. INTRODUCTION

Purpose of this policy

The purpose of this policy is to inform you about the basic principles of competition law, in order that you take these into consideration when making commercial decisions.

This policy cannot cover all possible facts and circumstances nor all applicable competition laws and rules, which may evolve over time. It is broadly reflective of EU competition law, but highlights certain areas where the position may differ under US law. In any case of doubt or if you have any questions, you should contact your General Counsel for advice. Your business unit may have a specific Process or Policy in addition to this which you will need to follow.

This policy has been approved by the board of directors of Melrose Industries PLC, who are responsible for ensuring this policy complies with relevant legal and ethical obligations.

The General Counsel for each business within the Group is responsible for ensuring awareness of and compliance with this policy within their particular business unit.

Each business within the Group is expected to establish a "culture" of compliance with this policy. The executive team of each business must take direct responsibility for ensuring effective transmission of this policy throughout their business unit, together with relevant guidance and training, and appropriate safeguards, monitoring, and resources, in order to ensure compliance with this policy.

What is competition law about

Many national laws relate to a company's competitive behavior – such as consumer law, patents and trademarks, and laws on advertisements. However, when we speak about competition law (and when we warn about the significant consequences of non-compliance) in this policy, we have two very specific rules in mind:

1. The prohibition against entering into agreements or arrangements with other businesses (whether competitors, customers or suppliers) which have the object or effect of restricting competition or that have the potential to affect or restrict competition; and

2. The prohibition against abusing a dominant position on a relevant market.

You should be aware of applicable competition law(s) wherever and whenever you are doing business.

What are the risks of non-compliance

Non-compliance may lead to heavy fines being imposed – in particular, for cartel infringements. The maximum fine in the European Union and in the UK is 10 percent of the entire corporate group's worldwide turnover, i.e. fines may reach up to 10 percent of the worldwide turnover of the Melrose Group as a whole. Fines for cartel infringement have ranged from tens of millions of euros to over four billion euros. In the United States, the maximum statutory fine is $100 million or two times the gain or loss from the cartel activity if either of those amounts are over $100 million. Companies have received fines of several hundred million dollars. Individuals may be fined up to $10 million and may receive a prison sentence of up to 10 years (a 5 year sentence is the longest imposed thus far).

In addition to heavy fines, other risks of non-compliance include:

- *litigation risk*: the Group may be sued (potentially through class actions) for damages by third parties who can show that they have incurred loss or damage as a result of anti-competitive practices;

- *government investigation*: the Group may be the subject of prolonged investigations that may result in criminal fines for the Group or individuals or imprisonment for Group employees;

- *contractual risk*: agreements (or provisions in agreements) which infringe competition law may be void and unenforceable;

- *reputation risk*: the bad publicity and media coverage which surrounds any major competition case is likely to cause damage to the Group's reputation;

- *management time*: investigations invariably result in vast expenditure of time and resources, often at a senior management level, as well as disruption to commercial strategy;

- *individual risk*: certain national competition laws, including in the United States, contain provisions which impose criminal sanctions – including imprisonment, fines and other penalties (e.g. being excluded from being a company Director) on individuals following a breach of competition law;

- *exclusion from public sector tendering opportunities:* violations of competition law may result in an exclusion from public tenders;

- employee sanctions: if you are found to have engaged in anti-competitive conduct, disciplinary action may be taken against you by the Group.

Your responsibilities	Compliance with applicable competition laws by managers and employees across the Melrose Group is their personal and professional responsibility. You must refrain from engaging in conduct that violates competition laws. You are responsible for acquiring a sufficient understanding of applicable competition laws and recognising situations which may lead to concerns under competition law. Non-compliance with this policy and applicable competition laws is a serious offence and you may be subject to disciplinary sanctions, including termination of your employment. Should you acquire information that competition law is being - or may have been or has been - infringed you must disclose such information immediately to your General Counsel or via the Group's whistleblowing procedure as described in the whistleblowing policy. Should you find yourself in conversations or activities that potentially violate competition law, you have an obligation to remove yourself from that conversation or activity and disclose the event to your General Counsel. See also below information on industry and trade association activities.

2. ANTICOMPETITIVE AGREEMENTS

GENERAL REMARKS	Competition rules prohibit agreements or "concerted practices" between businesses which have the object or effect of restricting competition.
Independence	Competition laws require businesses to decide upon their commercial conduct independently from other businesses. As soon as that independence is compromised in any way, for instance, through a formal contract or through a 'gentlemen's agreement', competition may be restricted or distorted.
Agreement	The prohibition against "restrictive agreements" must be interpreted widely. The concept of "agreement" in competition law can include formal and informal agreements, written and oral agreements, as well as simple understandings. In other words, the actual form of the agreement (and whether it is legally binding) is not relevant to its characterisation under competition law, as long as it represents the parties' intentions.

Concerted practices	Moreover, conduct falling short of an actual agreement or "meeting of minds" may also result in a competition law infringement. In some cases, the existence of a restrictive arrangement can be inferred based on evidence of some form of direct or indirect, and often informal, contact between competitors, resulting in a softening of competition on the market(s) involved. Such conduct would fall within the meaning of a "concerted practice".
CONTACT BETWEEN COMPETITORS	Any contact between actual competitors or potential competitors may give rise to concern from a competition law perspective. Competition authorities will always be suspicious as to the real intentions behind meetings of competitors. You should also be careful when meeting competitors, including on informal occasions.. Please contact your business General Counsel if you have any doubts on the legality of meetings with competitors from a competition law perspective. See further the section on industry and trade association activities below.
Prices and other business terms and conditions	Every company is free to establish and change its own prices, and in doing so, it may take account of the conduct of its competitors on the market. You are also free to use publicly available market information, including information published by competitors. However, it is unlawful to agree or cooperate in any way with competitors to fix or determine prices (including components of price) and/or other trading conditions - this is known as a 'cartel' offence and is the most serious form of breach of competition laws. In this regard, you also should not share with a competitor any competitively sensitive information that is not in the public domain, such as confidential pricing information or future marketing strategies. See also the section on information exchange.
Market sharing	Any agreement among competitors to divide, share or allocate markets, whether by product, territory, type or size of customer, is also forbidden. Examples are: competitors deciding that each party will refrain from or restrict sales (including exports) into the other parties' 'home' territory; limiting or controlling production or investment between competitors; and refraining from selling to customers reserved to the other parties.
Quotas and other restrictions on production	Competitors must not coordinate their actual or planned output levels and their actual or planned production capacity.
Collusive tendering ("bid rigging")	It is an essential feature of tendering procedures that prospective suppliers should prepare and submit bids on a unilateral basis. Accordingly, any coordination of bids in the context of a tender process is likely to be unlawful. It is also a serious breach of competition law to exchange information with competitors (or potential competitors) on whether and how your business intends to respond to an invitation to tender. Under certain circumstances (e.g. insufficient individual capacities, substantial benefits for customers, etc.) bidding consortia can

	be lawful. Please consult your General Counsel when considering such joint bids.
Information exchange	The exchange of sensitive commercial information/business secrets between competitors, suppliers or other third parties, will be regarded as a restrictive agreement or arrangement. The parties need not have acted upon the information that was exchanged (e.g., by adopting a certain strategy) for the conduct to be prohibited, as competition law assumes that any such information exchanged will be taken into consideration by the company in its future conduct. As a result, you should refrain from exchanging any information that is confidential or is otherwise commercially sensitive with an actual competitor or potential competitor, such as: ▸ Intended future prices or quantities; ▸ Actual prices, discounts, increases, reductions, rebates, other terms and conditions (e.g. payment term); ▸ Customer lists; ▸ Production costs; ▸ New product launches; ▸ R&D activities; ▸ Quantities; ▸ Turnover; ▸ Marketing plans; ▸ Planned investments; ▸ Profits, margins or cost; ▸ Bids or intentions to bid; ▸ Allocation, selection or rejection of customers; ▸ Levels of capacity; and ▸ Any other information that would not ordinarily be available to a competitor and/or in the public domain.

Obtaining market intelligence	Collecting business information about our competitors is an important, legitimate business activity that enables us to compete effectively. However, gathering business information from improper sources can give rise to competition law concerns. Never obtain confidential or commercially sensitive business information directly from a competitor (or from a third party you suspect is passing on the information on a competitor's behalf). Business information provided to you by a customer is generally not problematic unless you have reason to believe that the information should not have been provided to you – for example, the customer is acting as a 'hub' for the exchange of commercially sensitive information between competitors. Please consult your General Counsel in such cases.
Benchmarking	We may from time to time be invited to participate in benchmarking studies. Benchmarking is another form of information exchange that may raise issues under competition laws. Typically, in order to avoid these issues, benchmarking studies require that competitor-specific business information necessary for the study be provided to an independent third party (such as an industry consultant) for analysis on a confidential basis. Competitor information contained in the results of the study is subsequently disseminated to the participants on an aggregated basis only, so that competitor-specific information cannot be identified. You should always seek approval from the business General Counsel in advance of participating in any benchmarking activity.
Joint operations	The company may have joint venture arrangements with a number of our competitors. These types of arrangements can range from joint production or purchasing, to joint R&D or joint bids. They must be reviewed and assessed from a competition law perspective before they are entered into. It is also important to remember that many of these joint venture partners remain our competitors with respect to other business activities to which competition law continues to apply. In particular, discussions and the exchange of information between the company and our joint venture partners must not spill over into areas beyond the scope of the joint venture.
Industry and trade association activities	Industry and trade associations tend to attract the scrutiny of the competition authorities because, in practice, anti-competitive agreements/arrangements between competitors are often concluded, implemented and/or monitored through trade associations.

Whether attendance at these meetings gives rise to competition law concerns will depend on the type of meeting and the matters discussed. Many issues discussed will not be problematic from a competition law point of view, as they deal with legitimate interests common across the industry (e.g. in health, safety or environmental fields; developing technical standards).

However, where discussions stray into an illegitimate exchange of information you must not remain at the meeting, even if you are silent. If you have any doubt regarding whether initially-legitimate discussions may be venturing into a commercially sensitive area, you should object to the discussion, request that the discussion end immediately and request that this be recorded in the minutes. If it does not, you should leave the meeting and again request that your departure be recorded in the minutes. You should also make a note of your objection and reasons for leaving, and brief fully your General Counsel on the incident.

In addition, you should use caution when reporting industry statistics, such as sales and costs, so as to avoid the potential for improper disclosure of information. You also should be aware of any "after-meetings," social interactions, or other meetings that are not being properly recorded by minutes. It is in these types of meetings where anticompetitive activity most often occurs.

DEALING WITH CUSTOMERS

The prohibition on restrictive agreements/arrangements not only applies between competitors (at a horizontal level), but also at a vertical level - for example, between you and your distributor or customer. This area is rather more complex than "hardcore" cartel agreements between competitors. What you can and cannot agree with your customer or distributor (e.g., exclusivity arrangements or non-compete clauses) depends on numerous factors, in particular your market share on that given market.

For that reason, this policy only provides you with certain 'red flags'. When you consider entering into contracts with existing or potential distributors or customers, you should seek legal advice from your General Counsel.

Resale price maintenance

Under EU competition law, a supplier must not set or control the resale prices charged by the distributor to its customers. Such resale price maintenance could be done directly or indirectly (e.g. fixing distribution margins; fixing the maximum level of discounts a distributor can grant from a prescribed price level; threats, penalties, delays or suspension of deliveries if price levels are not observed).

The rules for resale price maintenance are similar in the United States, but there may be some circumstances in which resale price maintenance is allowed. The question of the legality of the resale price

	maintenance activity is highly fact-specific, and you should consult your General Counsel before engaging in any such activity. The recommendation of non-binding resale prices is allowed under EU and US law, provided that the retailer can still resell at a price it selects and there are no threats or other incentives which make the recommended price de facto binding.
Territorial restrictions	Export bans or other means of territorial market division are typically unlawful in the European Union, except when specifically required by law e.g. under sanctions legislation. For example, an express clause or verbal agreement prohibiting a distributor in one EU member state from supplying products to customers in other EU member states is unlawful. Also indirect restrictions on exports can be considered hardcore restrictions of competition law, including: ▸ granting bonuses in respect of domestic sales only; ▸ threatening to reduce supplies to prevent exports; ▸ charging different prices according to whether the distributor is buying products for export or for sale within the distributor's territory; ▸ refusal to provide warranty or after-sales services in respect of exports; and ▸ prohibition on Internet sales.
Distribution arrangements	The supplier may be able to enter into different models with its distributor, for example: ▸ *selective distribution*: where the supplier agrees to only supply to distributors who meet certain objective, non-discriminatory, qualitative criteria relating to their ability to market the goods and the suitability of their premises. The distributors, in return, agree to sell only to end-users and/or to other approved distributors. ▸ *exclusive distribution*: where the supplier agrees to sell exclusively to one distributor for resale in a particular territory or to a particular customer group; other distributors are usually restricted from actively selling into this exclusive territory or to this exclusive customer group; however, a distributor may not be restricted from responding to a sales request from a customer in a territory (or group) exclusively allocated to another distributor (known as passive sales);

- *exclusive purchasing*: where the distributor agrees to purchase all products or substantially all (≥ 80%) from only one supplier for a period of not more than three years in the United States and five years in the European Union.

Before entering into any of these models, you must contact your General Counsel.

Intellectual Property Rights	There are specific competition law provisions relating to the licensing or assignment of intellectual property rights (e.g. patents, trademarks, know-how, copyright and design rights). In the United States and the EU, some types of IP license agreements may trigger merger control filings. This is a complex legal area, where careful drafting is required. Please consult your General Counsel before entering into any such arrangements.

3. DOMINANT POSITION

What is dominance?	The criterion for dominance is qualitative rather than quantitative. While market share is important, it does not determine on its own whether a business is dominant. Where the company's market share is less than 40% on a given relevant market, dominance is less likely to be established, although it will be necessary to consider other factors: for example, the existence of IP rights; barriers to entry; and/or brand or customer loyalty. Above a market share of 40%, the likelihood of dominance being established is significant. Keep in mind that being dominant is not in itself problematic under EU competition law; only the abuse of a dominant position on a given relevant market is prohibited. Similarly, US competition laws forbid the willful maintenance of a monopoly position. But US competition laws also proscribe any attempt to monopolise. Thus, activity may raise concerns in the United States even if it does not result ultimately in an illegal monopoly.
What constitutes an abuse?	Most restrictions of the behaviour of a dominant firm relate to its pricing: a dominant firm may not engage in pricing that is excessive, predatory and/or discriminatory. Also, rebates can constitute an issue where a dominant position is reinforced by a particular discount scheme. Other types of behaviour can also constitute an abuse, for instance tying or bundling (packaged selling of different products). Under specific circumstances, a refusal to supply may also be abusive. An evaluation on a case-by-case basis is always required to determine if certain business dealings constitute an abuse of dominant position: this competition policy only provides certain key guidance points.

Excessive pricing	Whilst the EU and national competition authorities, including US authorities, are reluctant to engage in price regulation, a dominant firm may not charge prices which are considered to be excessively high. An excessive price is generally defined as one that has no reasonable relation to the economic value of the goods or services provided. In the US, the test for excessive pricing is whether the prices charged by a monopolist are above those that would be charged in a competitive market.
Loyalty rebates	Rebates, discounts and similar pricing practices are a normal part of commercial life. They are therefore only condemned where they could have a harmful effect on competition. Where such rebates can be objectively justified, there will be no abuse. As a general rule, incremental quantity or volume discounts linked solely to the volume of purchases, fixed objectively and applicable to all purchasers and for each product, are usually permissible. Discounts granted for prompt payment are also usually regarded as objectively justifiable. The following types of rebates and discounts offered by a dominant company may raise competition law risks and should therefore be reviewed by the business General Counsel. • fidelity (loyalty) rebates: where discounts depend on retaining all or part of a customer's business, thereby discouraging the customer from placing business with a competitor; • target rebates: where discounts are only offered to customers that achieve sales targets set by the dominant firm (individually and selectively) for each customer (often in excess of their purchases in the preceding year) and which have loyalty-inducing effects; • aggregated rebates: where discounts depend on buying all of (or part of) various different products offered by the dominant firm; and • across the board rebates: discounts dependent on the customer purchasing an entire range of the supplier's products.
Discrimination	A company with a dominant position must not discriminate in terms of its sales conditions (prices, rebates, payment term) when dealing with customers in comparable circumstances.

4. WATCH YOUR LANGUAGE

Competition law authorities have wide-ranging powers to demand disclosure of company documents and employees' emails, including business communications sent via personal IT devices. The investigative

powers of competition authorities notably include “dawn raids” (surprise on-site investigations) and extensive written requests for information. Take care with your language in all business communications, whether in writing (emails, memos, text messages) or in the course of telephone conversations or meetings. Consider how documents could be read by competition law authorities.

Particular care needs to be taken concerning more informal, transitory or shorthand communication such as notebooks, e-mails and powerpoint presentations.

Make sure that your language is accurate, precise and unambiguous. Do not use adverse or incriminating language (“*Please destroy after reading*”; “*This is probably illegal, but*…”).

The following are examples of terms and phrases which should be avoided in any communication, correspondence or agreement relating to our commercial activities as they could create an unwanted inference of anticompetitive behaviour or intent:

AVOID REFERENCES TO:	**ACCEPTABLE REFERENCES:**
Higher prices	Lower costs, efficiencies
High or dominant market share	Sizeable business
Harm to competitors	Benefit to customers
Leverage	Synergy, efficiency
Eliminating or driving out competition or competitors	Improving competitiveness
High or higher entry barriers	Competitiveness, lower costs
Rumor, speculation, what you think you know	What you know
Defensive actions	New business opportunities
Market share	Share of revenues, business, sector
Market	Business, niche, channel, line, area, region, sector
Individual competitors	Competition

PART 3 – KEY TRENDS AND DEVELOPMENTS

- **Cartel enforcement is a top priority with increasing levels of fines**

Cartels are secret arrangements between competitors which fix prices, limit output or divide markets and are the most serious type of antitrust infringement. Cartel enforcement has increased significantly over the last few years and cartelists are severely sanctioned by competition authorities. In Europe, fines against cartelists may reach up to 10% of their worldwide revenue. In addition, the 10% limit may be based on the turnover of the group to which the company belongs. The levels of fine have a strong deterrent objective. For example, in 2016 the EU imposed fines of over EUR 3 billion against truck manufacturers for participating in a cartel.

- **Extending the boundaries of cartel enforcement**

Traditionally, cartel enforcement has focused on classic cartel infringements such as price-fixing, bid-rigging and market sharing. Competition authorities now are investigating less familiar types of cartels. For example, the EU is currently investigating three German automobile manufacturers for collusion in in the development of technology to clean the emissions of passenger cars.

- **Private enforcement in Europe**

Non-compliance with competition laws will carry with it increasing litigation risks as companies may be sued for damages by third parties who have incurred damage as a result of anti-competitive practices. Damages litigation has increased significantly in the EU over recent years, in particular in the UK, the Netherlands and Germany. For example, there has been a wave of follow-on damages actions before national courts following the EU's decisions in the trucks cartel (2016) and Forex cartel (2019).

- **Increased focus on vertical restraints in Europe**

Enforcement against vertical restraints (such as resale price maintenance and distribution arrangements) has increased in the EU alongside the raise in importance of e-commerce and online trade. The EU is currently reviewing the application of competition law to distribution, purchasing and other vertical agreements, in particular in the light of the rise of digital sales and the use of digital platforms. The EU Commission is expected to publish proposals for revised competition laws and guidance in the course of 2021.

- **Importance of an effective, risk-based compliance policy**

A competition law compliance policy should be designed to address the key areas of risk faced by the business. Official guidance increasingly emphasises *inter alia* the importance of risk assessment, programme design and comprehensiveness, training and communication (see e.g.: https://www.justice.gov/atr/page/file/1182001/download). Competition authorities acknowledge that it

is appropriate for a company's compliance programme to be proportionate to the nature and circumstances of the business and it is for the company to determine what is appropriate.