

COMPETITION LAW POLICY

IMSP080A

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Document Owner: Jason Burt

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1. PURPOSE

Breaches of competition law carry severe consequences for businesses and potentially individuals, including fines of up to 10% of total worldwide turnover, disqualification of directors and potential fines and imprisonment for individuals. Agreements that breach competition law are unenforceable, and third parties can bring actions for damages suffered because of competition law breaches.

This Policy aims to set out the responsibilities of Mears and all Mears personnel in relation to competition law compliance, and to provide information and guidance on how Mears' personnel should manage the risks of anti-competitive practices arising in the conduct of Mears' business.

Mears has a zero-tolerance approach to anti-competitive behaviour. Failure to comply with the requirements of this Policy may endanger Mears' reputation and brand and expose Mears and its personnel to the risk of fines, prosecution, and imprisonment.

The terms of this Policy will be reviewed regularly to ensure it stays up to date with developments in the market and in competition law.

2. SCOPE

This policy applies to Mears directors, officers, consultants, contractors and employees ("Mears personnel").

3. DEFINITIONS

"Mears" means Mears Group PLC and its subsidiary companies.

The terms "consultants" and "contractors" mean individuals who are specifically engaged to perform services within Mears on a temporary basis who do not have the status of "employee".

A "third party" is: (i) any individual who is not an employee of Mears, and (ii) any organisation other than Mears.

The term "commercially sensitive information" includes (but is not limited to): pricing levels or strategies; details of customers; sales and revenue volumes; future products or services; planned marketing initiatives; and business opportunities or intentions.

4. RESPONSIBILITIES

The Audit Committee has overall responsibility for managing Mears' compliance with competition law and managing risk.

The Compliance & Risk Team has responsibility for: (i) ensuring this policy complies with our legal and ethical obligations and (ii) providing advice and assistance on the application of the policy.

All Mears personnel have responsibility for implementing this policy and all directors and managers have responsibility for ensuring their staff comply with its requirements.

Mears' approach to competition law is reflected in the UK Contractors' Code of Conduct which Mears has adopted. A copy of the adopted code of conduct is set out at Appendix 1.

5. POLICY

A - Key Competition Law Rules

Anti-competitive behaviour is outlawed in the UK by the Competition Act 1998. Equivalent laws govern anti-competitive behaviour across most of the world. There are two main areas of competition law:

- anti-competitive agreements, arrangements, understandings, and practices between competitors, as well as between companies at different levels of the supply chain; and
- abuse of a dominant market position.

Appendix 2 identifies key risks and mitigation measures and provides practical guidance on how each of these areas may be relevant to Mears' business.

B - What is Prohibited?

Certain agreements and contact with competitors:

- Chapter 1 of the Competition Act 1998 outlaws agreements, arrangements and practices which restrict or distort competition. These include: competitors agreeing on any aspect of price, common pricing structures, discounts or other terms of supply (price fixing); competitors agreeing on the basis on which they will (or will not) enter a competitive tender (bid-rigging); and competitors agreeing not to compete in certain areas or in relation to

certain products, not to compete for certain customers, or not to 'poach' one another's customers (market sharing).

- Even discussing these issues with a competitor may be a breach of competition law, even if there is then no agreement on what each business should do.
- The exchange, sharing or discussion of commercially sensitive information between competitors will also breach competition law. Discussing commercially sensitive information with an employee of a competitor, whether in a formal or an informal setting, will expose Mears personnel and the competing business to the risk of breaching competition law.
- It is also important to be aware of "hub and spoke" cartels, which involve competitors exchanging sensitive information through a third party (e.g. a common customer, supplier or industry body) to facilitate an anti-competitive arrangement.

Certain agreements with suppliers/distributors and customers:

- Agreements and arrangements between businesses at different levels of a supply chain ('vertical' agreements) can create competition risks. Anti-competitive vertical agreements include: resale price maintenance (e.g. requiring a customer to sell a product to its own customers at or above a certain price, including via a minimum margin requirement); minimum advertised pricing (e.g. restricting the ability of a customer to advertise prices below a certain level); and over-broad exclusive distribution agreements (e.g. prohibiting a distributor from making sales to particular customers, even if the customer makes the approach, or in particular territories even if no exclusive distribution is in place there).
- Agreements will also create risk where they restrict a customer's ability to buy from Mears' competitors, or a supplier's ability to supply our competitors (i.e. exclusive supply/purchase obligations). Advice should be taken from the Mears legal team before such agreements are entered into.

Abuse of a dominant market position:

- Chapter 2 of the Competition Act 1998 prohibits organisations with a dominant market position from abusing that position (i.e. using its position to exclude competitors from the market or exploit its customers, for example through predatory or unfair pricing, treating customers differently or refusing supply, or bundling separate products together).
- Only businesses that are dominant are prohibited from this type of behaviour. It is not unlawful for a business to have a dominant market position – only to abuse that position.
- A dominant position exists when a business's market position is so strong that it can generally act without being constrained by competition from others. A market share of over 50% will generally be considered dominant. Less than 40% makes dominance unlikely, though still possible in certain circumstances. If you are unsure whether Mears has a dominant position in a market, advice should be taken from the Mears legal team.

C – Training and communication

Mears personnel receive training on this policy during the induction process and at appropriate intervals including enhanced training being provided to those colleagues most likely to be exposed to competition law risks.

Mears's zero-tolerance approach to breaches of competition law should be communicated to suppliers and other third parties with whom we do business at the establishment of the business relationship. We expect such third parties to have adequate procedures in place to ensure compliance with competition law.

D – Raising a Concern

Mears personnel are encouraged to raise any concerns in connection with this Policy at the earliest possible stage. If a member of Mears personnel believes or suspects that a breach of the law, this Policy or any other applicable company policy, procedure or guidance has occurred or may occur, they must report this as soon as possible to any member of the Compliance & Risk Team or to the Whistleblowing email if preferred.

Mears shall take all reported concerns seriously and will investigate any reported concern to determine if the law or this Policy has been contravened within a reasonable time. Mears encourages openness and will support anyone who raises genuine concerns in good faith under this Policy, even if they turn out to be mistaken. Further information in relation to Mears' management of good faith notifications can be found in the Whistleblowing Policy.

E – Breaches of this Policy

Breaches of this Policy will be taken seriously and dealt with on a case-by-case basis. Breaches of this Policy by Mears personnel may lead to disciplinary action being taken in accordance with our disciplinary policy. Serious breaches may be regarded as gross misconduct and may lead to immediate dismissal further to our disciplinary procedure.

Everybody to whom this Policy applies will be expected to co-operate to the fullest extent possible in any investigation into suspected breaches of this Policy or any related processes or procedures. If any part of this Policy is unclear, clarification should be sought from your line manager.

6. OTHER RELATED POLICIES & PROCEDURES

1. Whistleblowing Policy
2. Disciplinary Policy and Procedure

7. APPENDICES

1. Appendix 1 – UK Contractors' Code of Conduct
2. Appendix 2 – Key risks and mitigation measures

APPENDIX 1 – UK CONTRACTORS' CODE OF CONDUCT

Mears is committed to compliance with UK competition law. Mears understands that the purpose of competition law is to preserve free, fair and efficient competition for the benefit of all companies operating in the industry and their clients.

Mears agrees at all times to commit to ensuring the highest standards of competition law compliance by adhering in all of its business practices to the principle of fair competition and to ensure that Mears does not engage in conduct which is anti-competitive.

1 Mears will:

- 1.1 not restrain competition through agreements, arrangements or understandings that restrict competition;
- 1.2 bid for contracts and tenders independently from and without any agreement or arrangement with its competitors; and
- 1.3 not exchange competitively sensitive information or engage in discussions that may lead to the co-ordination of competitive behaviour and, in particular, will not share information about current or future pricing intentions for tenders, or any element that might affect prices or pricing practices, including the exchange of cover prices.

2 Mears understands that co-operation with a competitor is justified only under the exceptions permitted by the competition rules or where it has been expressly required to enter into such arrangements by its client, for example, certain joint ventures and framework agreements, in which case such arrangements will be fully disclosed to the client.

3 Mears understands that it is responsible for its own compliance with competition law and that the consequences of breaching competition law are severe including possible penalties, director disqualification, criminal sanctions and damages actions.

4 Mears will:

- 4.1 ensure that competition law compliance will be achieved through implementing effective competition compliance policies and guidelines throughout its business; and
- 4.2 promote an understanding of and compliance with competition law throughout its supply chains, including with sub-contractors.

APPENDIX 2 – KEY RISKS AND MITIGATION MEASURES

This section identifies the key areas of competition law risk for Mears and measures that should be taken to mitigate those risks.

1. Working with competitors

- 1.1 Agreements must never be made with competitors in relation to: the price at which any products or services are sold to customers; the sharing / division of customers or territories; or bidding for a customer's business.
- 1.2 For other agreements with competitors that are not ordinary commercial agreements on normal arms-length terms – i.e. any agreement that entails working alongside or otherwise collaborating with competitors, such as joint ventures, you must consult the Mears legal team before entering into or even discussing any agreements (including informal arrangements).
- 1.3 Mears personnel must consult the Mears legal team prior to any agreement or discussion (other than ordinary commercial agreements on normal arms-length terms) with any business that competes with Mears in any market, even if the particular agreement or discussion concerns a market in which Mears and the business are not competitors.
- 1.4 Where Mears enters into joint ventures or other partnerships with competitors, appropriate measures must be put in place and strictly complied with to control the flow of information in line with directions from the Mears legal team.
- 1.5 Mears personnel must take careful notes of any meetings or discussions with a competitor, and record those electronically as soon as possible afterwards.

2. Agreements with suppliers / distributors and customers

- 2.1 Mears does not operate any form of resale price maintenance (RPM) or minimum advertised price (MAP) policy and will never require customers to advertise or sell products at or above any particular price.
- 2.2 You should consult the Mears legal team before entering into any agreement if you have any doubts about its possible effect on competition.
- 2.3 You must always consult the Mears legal team before agreeing, even in principle, to any agreement with a customer that would prohibit Mears from selling to any other customer.

3. Commercially sensitive information

- 3.1 You must not exchange or discuss any commercially sensitive information with a competitor in any formal or informal context. Discussing the general business climate with a competitor (e.g. the wider economy, or sector-wide regulation) is acceptable, but you must under no circumstances discuss commercially sensitive information. Even an "innocent" comment could disclose Mears' plans or capabilities, exposing Mears to a fine whether or not any information is received in return.

- 3.2 You must follow the “3 Rs” if a competitor attempts to involve you in an agreement or discussion about commercially sensitive issues: (1) Refuse to get involved; (2) Report the incident to a member of the Compliance and Risk team immediately and; if instructed to do so, (3) Record in writing the proposal and the fact that you refused to get involved.

4. Trade Associations and other industry bodies

- 4.1 Trade associations and industry bodies carry a high competition law risk since they involve contact between competitors. Meetings and events are an obvious opportunity for informal agreements and the discussion of commercially sensitive information, particularly during coffee breaks and other ‘informal’ discussions. You must obtain prior approval from the Mears legal team before submitting any information to a trade association.
- 4.2 If at any meeting there is an attempt to discuss commercially sensitive issues you must immediately insist that the discussion be ended and (if it is a formal meeting) have your objection noted in the minutes. If the discussion continues, you must leave the meeting, make clear your reason for leaving and insist that both your departure and reasons be noted in any minutes. You must then report the matter to a member of the Compliance and Risk team.

5. Abuse of dominance

- 5.1 Mears or members of its supply chain may be dominant in certain markets. Given the difficulty of establishing (or ruling out) dominance in any market with certainty, the below risk mitigation measures must be applied in all markets to guard against the possibility of a breach and limit the scope for any challenges or investigations. You should also be aware that a supply chain member engaging in any of the following may be prohibited from doing so if it is dominant in its market:
- a) Do not refuse business without clearance: You must contact the Mears legal team before doing so. Refusal to supply goods or, more likely, services may be a breach of competition law, depending on the circumstances.
 - b) Do not discriminate between customers without clearance: Offering very different prices or discounts to similar customers (or offering significantly different service levels) gives rise to competition law risk. You must contact the Mears legal team before taking different approaches to comparable third parties.
 - c) Make access to products available to third parties on a FRAND basis: access to Mears' products may be essential for at least some customers to be able to carry out their own businesses. It can be an abuse to deny access to facilities that are essential to other businesses without objective justification. Access should be provided on a fair, reasonable and non-discriminatory (FRAND) basis. If in doubt, you must consult the Mears legal team. You must contact the Mears legal team before restricting or placing conditions on third party access to Mears' products or agreeing to supply one customer at the expense of others (either because of an express restriction on supplying others or because the agreement would in fact leave no capacity available for others), particularly on a long-term basis.

- d) Do not price below cost without clearance: Pricing below cost, including through rebate arrangements, can be an abuse of a dominant position where it may affect the ability of others to compete with you, and so can be a breach of competition law. Below cost pricing requires approval from the Mears legal team.
- e) Do not offer 'loyalty' bonuses without clearance: Practices that expressly or implicitly encourage customer loyalty, such as retroactive rebates or offering discounts in return for getting all the customer's business, can be an abuse of dominance. Any retrospective rebate or other 'loyalty' arrangement requires approval from the Mears legal team.
- f) Do not make 'tying' or 'bundling' arrangements without clearance: Do not make the purchase of one product or service from Mears conditional on the customer also buying another product or service that the customer could otherwise have purchased from another (actual or potential) competitor, or provide the second product or service for free so the customer has no need to go elsewhere, without approval from the Mears legal team.