



COMPETITION COMPLIANCE POLICY

It is the policy of Ultra Electronics that all employees will comply with all laws governing its operations, this includes competition laws.

Why Competition Compliance Is Important

Breaches of competition law could seriously damage Ultra Electronics' reputation as a responsible, ethical company and damage our relationships with customers and suppliers. The penalties for infringing competition laws are extremely serious, both for our business and our employees. Failure to comply with competition rules can lead to fines of up to 10% of worldwide turnover. Third parties who suffer loss as a result of anti-competitive behaviour can recover damages from the Company. In some countries there may also be the risk of fines or imprisonment for individuals. An agreement which infringes competition laws may be wholly or partially invalid, which means that the Company cannot enforce it.

Who Is Responsible For Competition Compliance

It is the responsibility of all Ultra Electronics' employees to ensure compliance with competition law. No one in the business has the authority to contravene these laws or to condone contraventions by others. Ultra Electronics will take infringements of the law extremely seriously. It is the duty of all employees to bring questions relating to competition law to the attention of the Company Secretary/General Counsel.

A Summary of the Main Rules

Territorial application

This Policy has been drafted with EU competition law in mind. In addition to complying with the provisions in this Policy, you must ensure you comply with local completion laws that apply to your business. EU competition rules apply to companies located within the EU and companies outside the EU whose conduct is regarded as having an effect on the EU market.

Anti-competitive arrangements

Any agreement or practice between two or more businesses which affects trade between the member states of the EU and which has the object or effect of preventing, restricting or distorting competition within the EU to an appreciable extent is prohibited. The effect on trade and competition can be actual or potential. If, for example, you arrange with a competitor to fix prices, or to allocate customers or markets, the arrangement will be prohibited.

Abuse of a dominant position

It is illegal for companies with strong market power (referred to as a "dominant position") to exploit their position in a way which may affect trade between member states of the EU, for example, by imposing excessively high or predatorily low prices, or discriminating between customers without justification. A company will be in a dominant position if it can take business decisions without regard to its competitors. Assessing whether a company is in a dominant position depends on a variety of factors of which market share is only one. However, as a general guide, there is a high risk that companies with a market share of 50% or more would be regarded as dominant.

Dos and Don'ts

This section of the Policy describes some of the specific situations which you may come across and advises on how to deal with them. In cases of doubt, you must seek legal advice. You must not

engage in any of the practices which are described as likely to be illegal (indicated by a cross ("x")); and you must seek legal advice before engaging in any of the practices indicated by a question mark ("?").

Pricing

Likely to be illegal

- x Contacting a competitor to ask whether, if you were to raise your prices, he would do the same.
- x Discussing with a competitor the prices of key raw materials that you both purchase.
- x If you have a dominant market position, making sales below average variable cost to drive competitors out of the market.
- x You have a dominant market position and want to offer an extra discount to customers who buy exclusively from you.

Prior legal advice needed

- ? Suggesting that you and a competitor increase leverage with a supplier of non-key items by purchasing jointly.
- ? Making an announcement of price changes in advance of the effective date (and retracting it when other companies do not follow suit).

Generally permissible

- √ You offer customers discounts related to the volume of their individual orders (although you should obtain prior legal advice if the business may be dominant).

Supply

Likely to be illegal

- x Discussing a supply arrangement with a competitor in order to get a feel for selling prices in the market.
- x Agreeing resale prices with a supplier or distributor.

Prior legal advice needed

- ? Entering into product-swap arrangements with a competitor.
- ? Entering into exclusive distribution agreements.
- ? Discussing with a competitor the possibility of closing one of your plants and substituting a product supplied by him.

Generally permissible

- √ Recommending resale prices or conditions of resale to a distributor provided that no pressure is exerted on the distributor to adhere to the recommendations.

Import And Export

Likely to be illegal

- x Specifying one price to a distributor if he is selling the product in his own country and a higher price if he is going to export it to another EU country.
- x Requiring a distributor neither to resell the product for export to another EU country nor sell it himself to a customer in another EU country.

Prior legal advice needed

- ? Requiring a distributor not actively to seek customers outside his allocated territory.

Refusing To Deal

Likely to be illegal

- x If you are in a dominant position, refusing without any objective justification to deal with an existing customer.

Generally permissible

- √ Making an independent decision not to deal with a certain party on credit because of justified concerns about creditworthiness.

Trade Associations

Likely to be illegal

- x Discussing at a trade association meeting product prices, terms of sale, product or marketing plans, or business relations with suppliers or customers.

Generally permissible

- √ Attending trade association meetings.
- √ Discussing health and safety issues at a trade association meeting.
- √ Discussing proposed changes in the law relevant to the industry.

Technological Co-Operation

Likely to be illegal

- x Agreeing with a competitor the exact introduction time of new technology which you are both developing independently.

Prior legal advice needed

- ? Discussing the possibility of carrying out joint R&D with a competitor.

- ? Entering into technology licensing arrangements.

Generally permissible

- √ Undertaking joint R&D with a non-competitor, where all parties participating are free to exploit the results.

Information Gathering

Likely to be illegal

- x Exchanging information on sales, prices, discounts, terms of business etc. directly with a competitor.

Generally permissible

- √ Obtaining information on competitors' sales and prices from publicly available sources, such as the media, or from customers.

Tying

Likely to be illegal

- x If you have a dominant market position, informing a customer that you will only supply product A (in which you are dominant) if he also purchases product B from you.

Dealing With Competitors Generally

Whenever you are dealing with a competitor alarm bells should ring. Do not have any discussion with a competitor concerning prices, price changes, discounts, pricing methods, costs, warranties, transportation charges, terms of sale, marketing initiatives or product plans without first obtaining legal advice.

Likely to be illegal

- x Dividing up different projects between you and a competitor, for example by agreeing to bid for different contracts.
- x Having discussions or making plans with a competitor to keep a new arrival out of the market.
- x Discussing with a competitor possible investments that a competitor is considering making in a particular country.
- x Agreeing to boycott particular customers or suppliers.
- x Making an agreement or acting with a competitor in such a way as to allocate sales, territory, customers or products between you and the competitor.

Competitor Contact Report

As a guideline you should complete a contact report after each meeting that you have with

competitors. The report should consist of a brief and accurate record of the meeting, including a note of any potentially anti-competitive behaviour on the part of the company with whom you have met.

Contact reports may help to demonstrate that the Company has not acted in breach of competition rules if your conduct is subsequently called into question. They may also help in establishing that a competitor has committed a breach of the competition rules and provide useful evidence if the Company decides to complain to the competition authorities about that competitor's behaviour.

Watch Your Language

Take care with your language in all business communications, whether in writing or in the course of telephone conversations or meetings. Careless language could be very damaging if the Company is subject to an investigation by the competition authorities or is involved in litigation with another company. A poor choice of words can make a perfectly legal activity look suspect.

Many internal documents are likely to come under scrutiny during an investigation or legal proceedings involving a third party, even those which you might believe to be confidential such as diaries, telephone call records or personal note books. Documents in this context are not limited to papers, but will include any form in which information is recorded: computer records and databases, e-mail, microfilms, tape recordings, films, videos and so on can all be examined.

You should therefore follow these guidelines:

- Consider whether you need to write anything down at all.
- If you think it might be a sensitive area, obtain legal advice before committing it to paper.
- Whenever you write something down, remember that it could be made public one day.
- Avoid any suggestion that an industry view has been reached on a particular issue such as price levels.
- Do not use guilty vocabulary ("Please destroy/delete after reading").
- Do not speculate about whether an activity is illegal or legal.
- Do not write anything which implies that prices are based on anything other than the Company's independent business judgement.
- Do not keep papers for any longer than provided for in the Company's Document Retention Guidelines.
- Avoid keeping lots of different versions of the same document in your files or computer system.
- Avoid power or domination vocabulary, such as "This will enable us to dominate the market", or "We have virtually eliminated the competition".
- Avoid language suggesting that the Company has a strategy to drive a competitor out of business.

E-mail And Voicemail

E-mail and voicemail can often contain even more damaging statements than letters or memoranda, because they are usually sent or left casually, in the false belief that they are confidential or will be destroyed after a short time. Both e-mail and voicemail messages can be accessed during an inspection by the competition authorities or in legal proceedings. They are regarded as a particularly good source of information because they are stored by time and date and can give a full picture of

what was done and said.

You should therefore:

- Take as much care in sending messages by e-mail or leaving them on voicemail as you would when sending a letter or memorandum. Assume that all e-mail or voicemail messages may be read or heard by others.
- Keep in mind that e-mail and voicemail messages, even if deleted, leave a potentially damaging record that may have to be produced to the competition authorities or in legal proceedings.
- Exercise particular caution with messages sent to or received from outside the Company over the internet. Remember that e-mail messages are often appended to other e-mail messages and may be forwarded or replied to several times.

Document Retention And Destruction

You should refer to the Company's Document Retention Guidelines for general guidance when deciding how long to keep any particular documents or records. However:

- You must not destroy documents or records (which would not otherwise be destroyed in accordance with the Company's Document Retention Guidelines) because you think they contain damaging information. This will damage the Company's standing with the competition authorities if it comes to light in an investigation, and can lead to criminal penalties.
- If you are notified that the Company is under investigation by the competition authorities, all document destruction must immediately cease until advised otherwise by your legal advisor.

Dealing With Enquiries

Telephone enquiries

If you receive any enquiry relating to competition compliance from a lawyer from outside the Company or an inspector or other government official, put it through to your legal advisor immediately and notify the Company Secretary/General Counsel. Do not answer any questions. If your legal advisor is not available, do not put it through to another person but note down the name of the caller, the purpose of the call, the name and number of the inspector and his contact telephone number. Record any other information he gives you, such as the date and time of a potential inspection. Pass all this information as soon as possible to your legal advisor.

Visitors

If an inspector arrives in person, follow the procedures outlined in the Company's "Managing An Inspection Guidelines".

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