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CORPORATE COMPLIANCE POLICY

CONSOLIDATED TIMBER HOLDINGS LIMITED (“CTH”) is a firm supporter of the free market economy. As such, we are fully committed to compliance with the national and international requirements of competition law by our group of companies as an essential tool for ensuring fair, unrestricted competition.

Violations of the competition laws in which CTH companies do business, can have dramatic consequences for the group, its directors and staff. We could face a variety of negative repercussions, including serious fines, lawsuits, exclusion from public contracts and serious harm to our reputation.

Individuals who agree with others to violate competition laws also face severe external repercussions, including possible imprisonment, heavy fines and, in the case of the directors of our businesses, disqualification. CTH will not show any leniency towards employees or directors who disregard competition laws. Even if a business matter runs into difficulties through no fault of the employee or director, resorting to unlawful agreements with competitors is not acceptable. Compliance is the only permissible course of action, even in a crisis. If an employee or director becomes aware of conduct within or outside the firm that appears to involve a risk of secret cooperation with a competitor, it is essential that it is brought to the attention of more senior staff or directors immediately to ensure that this is stopped and reported.

This guidance document is intended to provide staff and directors with a high-level explanation of the obligations imposed out CTH businesses by UK and EU competition law. Even after the UK withdraws from the EU, EU law will continue to be important given the strong links between the UK and other European economies. This is confirmed by the fact that competition law applies not only to the conduct itself but also to its economic effects, which may extend to other countries.

More detailed guidance and training will be provided to staff over the next few months, and staff are also referred to the helpful materials provided to businesses by the Competition and Markets Authority.¹ If staff become aware of conduct or arrangements that they are concerned may involve an infringement of competition law by a CTH company or a competing firm or supplier, it is essential that it is brought to the attention of more senior staff or directors immediately to enable appropriate steps to be taken to bring any infringement to an end or where possible to avoid such an infringement.

¹ See <https://www.gov.uk/government/collections/competition-and-consumer-law-compliance-guidance-for-businesses>.



Competition law protects competition in three ways:

- by forbidding **collusion among competitors and anticompetitive arrangements** among suppliers and customers, as discussed below in Section 1.1
- by forbidding **the abuse of a dominant market position**, as discussed below in Section 1.2
- by overseeing **the acquisition and sale of companies as well as other business combinations** (merger control), as discussed below in Section 1.3

1.1 Competition law violations

The major types of violations include:

- Price fixing
- Allocating market shares
- Agreements on production capacities
- Allocating geographical markets
- Allocating customers
- Dictating or controlling a customer's resale price

Any kind of concerted actions, informal talks or “gentlemen’s agreements” that are intended to restrict competition or may have the effect of doing so are prohibited. Employees must not even give the appearance of being a part of any such conspiracy.

The key test is whether there has been a ‘meeting of minds’ between competitors to avoid or restrict competition between them – that covers a much wider range of conduct than a written or oral contract. It may emerge from social contacts or the activities of trade associations that are initially legitimate discussions of matters of industry wide importance but that later degenerate into anticompetitive arrangements. Such unlawful conduct is usually conducted in secret and often involves agreements to exchange commercially sensitive information that would not normally be known by competitors.

Agreeing to fix prices, to allocated customers or regions and acting in concert with other bidders when competing for contracts from the private sector or public sector are not only competition violations for a company. They are a criminal acts for the individuals involved that may lead to heavy fines or imprisonment.

Given these risks, please involve our legal advisers in the following cases:

- When entering into or contemplating any kind of agreement with a competitor, even if the subject matter of the agreement lies outside of the area in which the CTH group company and the other party compete. This is crucial to avoid any accusations of price fixing, market sharing or bid rigging, particularly where there are competitive tenders.

- Trade association meetings provide the opportunity to get together with competitors and discuss matters of mutual interest. This is quite legitimate, provided, however, that the limits imposed by competition law are respected. Accordingly, employees should normally consult our legal advisers before participating in such meetings.
- Care is called for in the handling of market information that would not be publicly available between competitors. Market research is indispensable and, of course, legal as a rule. However, not all information-gathering techniques, such as certain organized market information systems, are suitable for this purpose. Benchmarking with competitors is also permissible in principle. But in all these cases it is important to ensure that information which is commercially sensitive is given in a sufficiently anonymous manner that its origin cannot be identified and it therefore cannot influence current market developments. For example, we are not allowed to exchange information concerning customer relationships, prices, imminent or recent price changes or the like with our competitors, nor are we permitted to disclose our own calculations, capacities or plans to competitors.
- Finally, bear in mind the provisions of competition law when negotiating the terms and conditions of agreements where Hoffman acts as a customer or supplier. Clauses that impact resale prices, restrict use or resale, or stipulate exclusive arrangements always require legal review.

1.2 Abuse of market power

The second element of competition law prohibits conduct by powerful firms that distorts competition on a market. These issues can arise where a company enjoys a high market share over a period of time. Market shares of between 25% and 50% held over a period of time can give rise to potential concerns and higher shares need to be watched carefully. Where dominance exists, the company is put under stricter standards of commercial behaviour, for example in relation to setting high or low prices or tying customers to its products.

Dominant market positions are by no means illegal per se if they accrue, for example, from our own achievements, such as investments in high quality or service. In addition, patents provide legally protected monopolies for certain periods of time. A company is said to dominate a market when it has no substantial competition in that market. The behavior of companies with dominant market positions is subject to particularly strict anti-competitive controls as a means of compensating for this lack of competition. Dominant market positions must not be abused, that is they must not be exploited in ways that would be unrealistic in a true competitive environment.

For example, companies with a dominant market position may not deliberately undercut competitors' prices with the aim of driving them out of the market. Nor may they execute agreements with customers that contain contract periods, exclusive arrangements, discount offers or package deals that make it impossible for their competitors to vie for the same customers' business. Companies may not abuse dominant market positions in their relationships with customers either, for example by demanding prices that are not economically justified.



The borderline between lawful and unlawful competition can be difficult to judge and needs to be considered carefully. As such, where CHT companies hold high market shares that have persisted over a period of months or years, employees should seek legal advice before engaging in aggressive competition either in terms of pricing or terms of business.

1.3 Observing merger guidelines

Business divestitures, acquisitions and joint ventures generally require the approval of domestic and foreign antitrust agencies once the volume of the deal reaches a particular threshold, either in terms of volume or market shares. Although there is no obligation to notify deals in the UK at the moment, if the merger is found to be anticompetitive then the parties can be forced to unwind the arrangements. This can be very disruptive and expensive, and in other jurisdictions, including the EU, there is an obligation to notify the authorities or face heavy penalties.

So it is important to involve, legal advisers must be involved at an early stage to decide what notifications need to be made and whether it is likely that the deal will cause competition problems. Failure to do so can be very expensive and damaging to our businesses.

How does this policy affect each individual's daily work routine?

All CTH employees and directors must adhere to this Corporate Compliance Policy. It is intended to protect both the company itself and individuals who work for us.

This policy provides guidance on the framework within which CTH employees can act with confidence and directly benefits them by, among other things, safeguarding them from discrimination. Its observance therefore is in the best interest of employees both as individuals and as important contributors to the success of CTH as a whole – success from which employees benefit.

Every employee is called upon to review his or her own behaviour in light of the issues set out in this Compliance Policy and to ensure that these standards are observed. Compliance is factored into each employee's performance as a matter of course.

Employees should bear in mind that there are specific laws and additional guidelines that address the topics discussed here that can be obtained from the Directors. Employees will be provided with help to familiarize themselves with the applicable laws and internal rules governing their areas of responsibility and to follow these laws and rules in their daily work. Any ambiguities should be clarified. The company will provide its employees with access to all the necessary information resources and advice to prevent violations of the law or company regulations. The provisions of this Compliance Policy take precedence over any conflicting instructions given by a supervisor.

Every Director and senior manager must organize his or her area of responsibility so as to ensure adherence to this Compliance Policy and applicable law. In particular, managers must communicate the rules applicable in their areas of responsibility, monitor adherence to them and enforce them. Problems must be actively addressed and resolved.



Each manager is expected to set an example for his or her area of responsibility by acting with integrity and thereby ensure that compliance is adopted as a fundamental part of our corporate culture.

The company also offers ways of reporting suspected compliance violations anonymously, for example via a dedicated telephone number.

The company will ensure that no employee is in any way disadvantaged because he or she, acting in good faith, reports a possible compliance violation. When the reporting employee is himself/herself involved in a violation of this Compliance Policy, the company, in determining any action to be taken against that employee, will consider whether or not the report and any timely assistance given in investigating the possible violation helped avert further damage to the company.

Violations of this Compliance Policy should be reported to the Group Operations Director or to the Group Secretariat immediately. Employees may also notify their manager or Director.

Compliance with this policy in respect of competition forms part of a wider culture of compliance within the CTH group, including an absolute commitment to the integrity of our staff and businesses. In particular, if employees suspect corruption or the intentional mishandling of company property or finances, for example, embezzlement, fraud, breach of trust or the offering or acceptance of bribes, they should report the matter without delay directly to the Group Secretariat.

Promptly reporting this kind of information is likely to save the company from suffering additional, more serious financial and reputational harm or at least to enable us to mitigate the damage. For this reason employees should direct this kind of information to the individuals and departments mentioned above, because they are most capable of taking the necessary legal steps.

All employees are required to immediately report any violations of the Compliance Policy.

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In addition, a Compliance Officer is appointed by the group holding company

The Compliance Officer has the core responsibilities to provide advice and to assess risk where breaches of this policy are suspected or reported.

How is compliance structured at Hoffman?

- to conduct compliance training
- to establish communication channels for reporting suspected compliance violations
- to investigate alleged compliance violations and assist in deciding on possible sanctions against the employees involved to arrange audits pertaining to a) possible compliance violations b) subject matters identified through risk assessment
- to introduce any necessary organisational changes as determined in the course of compliance investigations



- to prepare and issue reports (on individual cases and for the year)

Hoffman will ensure the ongoing viability of this Compliance Policy by creating the necessary framework for its operation and providing the necessary resources.

The viability and effectiveness of this Compliance Policy will be regularly reviewed. Constant monitoring along with frequent evaluation and reporting are designed to ensure its continual improvement. In addition, an Audit will carry out a review of the Policy's effectiveness on behalf of the Managing Director.

Finally, further guidance has been provided to businesses by the Competition and Markets Authority ('CMA') on their website² – the CMA is the body responsible for enforcement of the competition rules in the United Kingdom, with wide powers of investigation and enforcement in relation to all the issues set out above. Compliance training within the CTH group of companies will be based on the approaches recommended by the CMA and by our specialist external advisors.

² See in particular

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/372555/CMA_Risk_Guide.pdf and

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/306899/CMA19.pdf