UK &EU COMPETITION POLICY

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"WE WILL COMPETE VIGOROUSLY BUT FAIRLY"

The pricing and other trading practices of companies are covered by competition (or antitrust) laws in European, North American and other worldwide markets. These laws apply to a company's activities carried on in those jurisdictions. This policy sets out guidance for ***UK and EU competition*** law and applies to Luxfer Holdings PLC and its subsidiary companies ("Luxfer") carrying on business in those jurisdictions wherever in the world they are based.

A separate version of the policy has been introduced to cover trade practices and antitrust compliance in the U.S.

It is impractical to provide a version of the policy for every jurisdiction, but the principles behind all such legislation are similar. It is Luxfer policy that Luxfer companies should comply with relevant competition (or antitrust) laws in whichever territory they trade.

Quite apart from personal liability to prosecution including personal fines, disqualification as a director or even imprisonment, Luxfer can be liable to pay fines of up to 10% of Luxfer's annual worldwide turnover if a Luxfer company is found to have infringed competition law. In addition to individual criminal sanctions and administrative financial penalties for the business, third parties who suffer loss because of anti-competitive behaviour may be able to recover damages from the company, infringing agreements may be invalid and therefore unenforceable and consequent adverse publicity and wasted management time are likely to lead to serious financial implications and potential loss of business for Luxfer. All employees should be aware that any infringement of the procedures and guidelines in this policy will be viewed very seriously and will be regarded as a disciplinary matter which may well affect your career prospects. As an employee of a Luxfer company you have a personal responsibility to ensure that you adhere to this policy.

There are two principal areas covered by European competition law: ***anti-competitive agreements*** and ***abuse of a dominant position***.

1. ANTI-COMPETITIVE AGREEMENTS

UK and European competition laws prohibit agreements between businesses that ***prevent, restrict or distort competition and which affect trade within the UK/between member states***; broadly speaking, agreements which may harm competition or potential competition.

Examples of agreements likely to be prohibited are set out in the table attached.

Cartel behaviour (i.e. competitors behaving anti-competitively together) is regarded by the competition authorities as the most serious type of competition breach. It is illegal to collude with our competitors to fix prices, share markets, rig bids or share quotas. There is no defence even if the result of any collusive behaviour is loss-making. 'Pricing' for these purposes includes the whole commercial package: discounts, rebates, costs, credit terms etc. and is taken to cover bids and tenders as well as customer specific and general market pricing.

The act of colluding with competitors to fix market/product prices is illegal infringing behaviour and entirely against the ethical position that the company takes. The consequences to the company of an employee taking such an illegal action are draconian, as are the consequences to the employee which might include prosecution for the criminal cartel offence. Employees and Associates of Luxfer and its subsidiaries are expressly forbidden from taking such action.

Care should be taken when involved in ***meetings and discussions with our competitors and they ought to be avoided where possible***, as they could be taken as evidence of collusion, no matter how innocent the actual purpose of the meeting.

Meetings of trade associations and regulatory bodies are generally acceptable, but care must be taken not to discuss forbidden topics such as pricing or territories and attendees should avoid being persuaded into off-agenda discussions or side meetings.

2. ABUSE OF A DOMINANT POSITION

It is illegal to abuse a position of market dominance. Dominance is a position of market power and may be imputed from a high market share, with 'high' being around 40% or greater, although this figure is not an absolute threshold.

Examples of actions which when taken by a dominant company could fall foul of competition laws are set out in the table attached.

If we may be, or may be deemed to be, in a dominant position in a particular market we must not allow customers to attempt to manipulate the market through us. A customer should not be allowed to demand a specific differential between the price that he is charged and the price that his competitors are charged unless there is a justifiable reason, for example, higher volumes that support such a differential.

There is no law against having a high market share, and indeed it is generally accepted in commerce that the higher the share the better. It is also important to note that it is notoriously difficult to define the 'relevant market' and we might occasionally exaggerate our market share by drawing the relevant market boundaries too narrowly. We may say that we have an 80% share of the market for aluminium cylinders but if customers could switch to steel or composite cylinders then the relevant market may be defined as cylinders of all materials and our share of such relevant market expressed accordingly.

For example, Superform may appear to have a dominant position in its field as there is little direct competition for superplastically-formed aluminium sheet. However, it may be contended that cold stamped aluminium, spun aluminium, cold-stamped mild steel and assemblies of aluminium castings are alternatives readily available to many customers at similar costs and suppliers of such products should therefore be included within the scope of the relevant market for this purpose.

Nevertheless, there are some areas where our market share is high, no matter how widely the relevant market is drawn. In these areas we need to exercise extra caution, particularly where the customer is constrained during the period of their agreement to purchase a fixed proportion of its product(s) from us.

In general, where we could have a 'dominant' position in a relevant market, we have a 'special responsibility not to allow our conduct to impair genuine, undistorted competition on the common market' (European Court of Justice).

The table annexed illustrates examples of situations you may find yourself in, which involve potentially anti-competitive agreements or an abuse of a dominant position. This 'traffic light' summary provides examples of arrangements that are likely to be illegal, those which require prior clearance from a specialist legal adviser and those that are generally permissible. **IT IS NOT AN EXHAUSTIVE LIST.**

3. EXEMPTIONS

Competition issues will only arise where there is an 'appreciable affect' on competition in the relevant market. Even if there is a restriction of competition in the relevant market arising from an agreement it may fall into an exemption and not be prohibited, but prior clearance cannot be obtained from the competition authorities and it is up to Luxfer to assess the agreement and demonstrate that the exception applies and continues to apply.

If an agreement falls within an ***EU block exemption*** the risk of a competition issue arising is minimised. Sometimes limiting the term of the agreement or re-wording it will achieve its commercial objective within competition rules. The most relevant EU block exemptions for our purposes cover ***vertical agreements***, ***technology transfer agreements*** and ***research and development (R&D) agreements***.

Protection under these 'safe harbour' provisions will depend on the terms of the relevant agreement complying with the terms and criteria set out in the applicable regulations. The block exemptions each have their own rules and restrictions which will need to be considered carefully before reliance is placed upon them. The exemptions will only apply if a party's relevant market share is below a prescribed threshold and so-called prohibited 'hard-core' restrictions (e.g. price fixing, production restrictions, exclusive grant-back obligations) are not present. The assessment and judgement as to whether one of the block exemptions applies is not one that should ever be made without expert legal advice.

By way of example the following agreements may be covered by the following block exemptions:

EU technology transfer block exemption

Agreements between two parties involving the licensing or assignment of certain types of intellectual property (including patents, know-how, software copyright and design rights) with the purpose of manufacturing a product using such licensed rights/technology.

EU R&D block exemption

Agreements involving two or more enterprises which agree to collaborate in the development of new products or processes and where one of the parties is an actual or potential producer of products or technology capable of being improved or replaced by the R&D products or technology.

EU vertical agreement block exemption

Agreements entered into between businesses operating at different levels of the market, such as a manufacturer and supplier, a distributor and reseller, a franchisor and franchisee or a principal and agent. Vertical agreements normally involve one or both parties accepting certain restraints on their freedom of action, such as exclusive dealing requirements and territorial limitations.

Whether a practice may infringe competition rules and whether an exemption applies will usually depend on an analysis of the particular market conditions in which the business is operating as well as the specific agreement. Consequently, while some general guidelines are set out in this policy, there will often be circumstances where the situation will require further legal and/or economic analysis and advice. In those circumstances, please contact Luxfer's General Counsel for initial advice.

RESPONSIBILITY FOR THIS POLICY

The executive leadership team (ELT) has overall responsibility for this policy. The policy will be reviewed annually and changes will be made as required to ensure it covers all applicable legal, regulatory and ethical obligations.

Managing directors and presidents of the Luxfer business units have day-to-day operational responsibility for implementing this policy and have a specific responsibility to set an appropriate standard of behaviour, to lead by example and to ensure that those they manage adhere to this policy and promote the aims and objectives of Luxfer with regard to compliance with competition legislation.

If you have any questions about the content or application of this policy, you should contact your Luxfer's General Counsel.

Alok Maskara
Chief Executive Officer
Luxfer Holdings PLC

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Issue	Likely to be illegal	Generally permissible	Legal advice required
Pricing	• Discussing pricing with competitors • Discussing with competitors the price of raw materials that you both purchase • Contacting a competitor to discuss a simultaneous increase in prices • In a dominant position – making sales at a loss to drive competitors out of the market	• Offering a discounted rate to customers related to the volume they purchase • Raising prices in line with general market conditions	• Purchasing non-key items jointly with competitors in order to increase leverage with a supplier • Announcing price changes in advance and retracting the announcement when competitors do not do the same
Dealing with competitors	• Discussing (even informally) prices, discounts, price changes, credit terms, price policy, marketing initiatives, marketing strategies transportation charges, terms of sale, production capacities and costs, productions or sales volumes, import volumes, market shares, distribution and marketing terms/costs, information regarding supplier relationships, future business plans, proposed investments and matters relating to individual suppliers or customers • Agreeing with competitors not to contact a particular customer/	• Undertaking joint R&D with a competitor where all participants are free to exploit the results • Obtaining information on competitors from publicly available sources, such as the media, internet or customers	• Discussing a joint venture proposal with a competitor • Discussing the opportunity of carrying out R&D with a competitor • Entering into technology licensing arrangements • Entering into product-swap arrangements with competitors • Making joint purchasing arrangements with a competitor • Discussing the possibility of closing one of your plants and substituting a product supplied by the competitor

	joint boycotting of other companies • Agreeing not to bid for a particular tender or dividing up projects between competitors • Discussing with competitors territories in which sales have been strong • Discussing with competitors ways to keep a new rival out of a particular market • Agreeing with a competitor the launch date of new technology you are both independently developing • 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		

Dealing with customer and Agreements with customers	• Telling a customer you will only supply product A if he also purchases product B (unless your market share on both markets is below 30%) • In a dominant position – refusing to deal with a customer without any objective reason the abusive exploitation of a dominating market position, for example, offering an extra discount to customers who agree to buy exclusively from you; or	• If your market share is below 30% entering an exclusive supply agreement which cannot exceed 5 years (no rolling on permitted)	• In a dominant position – taking the decision not to deal with a customer due to their adverse credit rating or bad debt history
Trade Associations	• Discussing territories, prices, terms and conditions, future plans or details of customers or suppliers • Exchanging information on historical sales, prices, discounts, terms of business etc with a competitor	• Attending Trade Association meetings • Discussing industry-wide issues such as health and safety or regulatory issues • Discussing proposed changes in the law which apply to the industry • Asking the chairman to note your objection to illegal issues (such as those in the first column) being discussed during a meeting, and leaving the meeting	• Joining a new Trade Association • Participating in an information-sharing scheme in which sales volumes are supplied to an independent third party for anonymous distribution between participants (e.g. REACH registration)
Dealing with Distributors	• Setting fixed or minimum resale prices • Prohibiting a distributor from making 'passive sales' (i.e. when the customer	• Recommending resale prices, with no pressure on distributors to follow them • If your market share is less than 30%	• Any restriction in your distributorship agreement where you or the distributor has a market share exceeding 30%

	approaches the distributor) into a third party's exclusive territory • Using price to prohibit a distributor from reselling outside his territory	requiring a distributor to purchase 80% plus of its requirement from Luxfer provided the agreement cannot exceed 5 years (no rolling on permitted) • If your market share is below 30% prohibiting a distributor from making 'active sales' (i.e. when the distributor approaches the customer) outside his exclusive territory	• Entering into exclusive distribution agreements
Acquisitions and disposals	•	•	• Buying or selling all or some of the shares of another company or merging with it • Buying all or part of the business of assets of another company, or selling all or part of the business or assets of your company