



COMPETITION LAW POLICY

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INTRO

Policy Statement

At Nichols, we are committed to doing the right things in the right way, not simply doing what is easiest.

Key to this is maintaining the highest standards in the way we conduct our business, meaning full compliance with laws that apply to what we do. This includes competition law, which can cover our relationships with suppliers, distributors and other customers, as well as the occasions where we may come into contact with our competitors.

Competition law can apply to business done in person, over the phone or video, or in writing. It doesn't have to be formal: a commercial arrangement confirmed with a quick text can be covered, just like a signed agreement.

Competition law can be triggered by the actions of anyone who can make commitments on the organisation's behalf – not just by the actions of senior managers.

This means we all need to work together to build a culture of compliance with competition law. The guidelines within this policy are designed to help with this. Please keep them in mind and use them, so that we can ensure we operate, and are seen to operate, professionally, pro-competitively and in accordance with the law.



Andrew Milne
Chief Executive Officer

To whom does this policy apply?

- This policy applies to Nichols plc and its subsidiaries ("**Nichols**" or the "**Company**");
- All individuals working for Nichols, including directors, officers, employees (including interns and seconded employees), and independent contractors ("**Nichols Personnel**");
- Nichols' business partners may be required to comply with this policy under the terms of engagement between them and Nichols. "**Business Partner**" means any person (other than Nichols or Nichols Personnel) providing goods or performing

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services for or on behalf of Nichols and acting in such capacity, such as agents, suppliers, co-packing partners, licensee partners, consultants, advisers, distributors, resellers, vendors, joint venture partners, contractors and subcontractors.

- Where a Business Partner is required to comply with this policy, references to Nichols Personnel shall be amended to Business Partner as the context requires, and obligations and requirements on Nichols Personnel below shall apply equally to Business Partners where relevant.

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What does this policy do?

- This policy underlines the commitment of Nichols to ensuring strict compliance with the most robust competition law regimes, as a responsible and transparent business.
- It provides Nichols Personnel with guidance on how to ensure that Nichols complies with such competition law regimes.

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What you must do

- Nichols Personnel must read, understand and comply with this policy.
- Nichols Personnel must report known or suspected violations of this policy to the Legal Director.
- Those with managerial responsibility for others must ensure that their team are familiar with and comply with this policy.
- Nichols Personnel must tell the Legal Director immediately if they:
 - suspect they may have breached or risk breaching competition law;
 - are asked to breach or risk breaching competition law; or
 - suspect that another may have breached, or risks breaching, competition law.
- If Nichols Personnel are unsure whether a particular act may risk breaching competition law they should speak with their line manager or the Legal Director.

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Who is responsible for the policy?

- The Board of Directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.
- The Legal Director has primary and day-to-day responsibility for ensuring implementation of this policy, monitoring its use and effectiveness, dealing with any queries about it, and managing the audit of internal control systems and procedures to ensure they are effective in managing competition law risks.
- Management at all levels are responsible for ensuring those reporting to them understand, implement and comply with this policy and are given adequate and regular training on it.
- You are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Legal Director.

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POLICY STATEMENT – COMPETITION LAW COMPLIANCE

Nichols' policy is to comply fully with all aspects of UK (and, where applicable, EU) competition law. For practical purposes, we take the principles of UK and EU competition law as a standard for the wider international business, setting a consistent approach and associating our brands with best practice. Breach of these laws can have severe consequences for the company, its directors and the individuals involved. These include heavy fines, director disqualification and even, in the case of cartel activity, criminal penalties. No perceived benefit is therefore worth the risk of breaching competition law.

All employees are required to comply with this policy, and to report any circumstances that might give rise to a breach. Failure to do so may result in disciplinary action. The guidelines that accompany this policy statement provide a summary of the issues likely to arise on a day-to-day basis. Should you have any queries or concerns about dealing with a particular situation, or need to report a possible past or ongoing breach of the law, please contact the Legal Director.

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OVERVIEW OF UK COMPETITION LAW

The Competition Act 1998 prohibits commercial agreements that restrict competition and affect trade in the UK (or a part of it), to an "appreciable" extent. Agreements can be "saved" from this prohibition if they benefit from a "block" exemption (an exemption which covers a certain category of agreements) or meet certain other criteria.

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Agreements or understandings that amount to serious breaches of the law (such as resale price maintenance) can always be viewed as “appreciable” and are unlikely to be capable of being “saved”. In addition, it is a criminal offence in the UK to engage in certain forms of anti-competitive **‘cartel’** (being the term given to various acts of co-operation between companies in a related industry, to set or maintain prices and avoid competition). Under similar EU laws, blanket bans on selling outside a territory can be a serious breach.

To be caught by competition law, an “agreement” does not have to be in writing and can even be implied from conduct. This means that it is possible to breach the law simply through a phone call, or a conversation, and subsequent conduct – not just written agreements are caught.

Breaches of competition law can result in criminal and civil prosecution.

Individuals found liable for competition law breaches can be punished by imprisonment and/or a fine.

As a business we face significant fines, exclusion from international markets, and damage to our reputation. We therefore take our legal responsibilities very seriously.

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PRACTICAL DO'S AND DON'TS

Competition law prevents any supplier from controlling the price at which a customer sells goods on and also puts limits on whether a distributor can be restricted from selling outside their territory. This is a potential area of risk for Nichols.

Separately, contact with competitors, though fairly infrequent for us, is also inherently risky in competition law terms. Set out below are some do's and don'ts relating to these two key areas.

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CUSTOMER PRICING AND TERRITORIAL ISSUES

Don't:

- Try to control the price a distributor or other customer charges when selling to its own customers, whether by direct or indirect means (although you can suggest a price or set a maximum – see below).

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- Threaten to disrupt a customer's supply or to change their terms, unless they increase their selling prices/match prices in another market – not even as a light-hearted comment.
- Agree with one or more customers the maximum discount off any recommended retail price, or the minimum margin, that they will apply when setting their own pricing.
- Give in to complaints or pressure from one distributor asking you to “do something about” or to “look into” another distributor's pricing.
- Contact a distributor or other customer (including by phone) to query their selling prices or to point out that a particular price is low.
- Seek to restrict where, or to whom, a distributor can sell our products, without first checking the competition law implications. In general, a distributor should always be free to fulfil unsolicited enquiries/orders from outside its own territory or market.
- Act on any “complaint” from a distributor about another customer selling into “their” territory or market without checking the competition law position.
- Put any obligations on, or even informally encourage, distributors to regulate or dictate the prices to be charged by sub-distributors.
- Impose any requirement for (or informally encourage) distributors' selling prices to be set higher to reflect differences in import duties or other costs – except you can recommend a price or set a maximum.

Do:

- Recommend or suggest selling prices to distributors, provided it is made clear that they are for guidance only and are not binding.
- Impose a maximum resale price, if you want to do so.
- Respond to customer pressure/queries by stating that: *“Nichols has no ability to influence third parties' pricing as this would breach our competition law policy. We cannot step in where customers' pricing is concerned.”*
- Remember our distributors are each others' competitors – brokering agreements between them on pricing could amount to involvement in a cartel.
- Consider offering exclusivity to distributors/customers – but check the competition law position to ensure this is lawful and enforceable.
- Nichols is, of course, free to determine its own prices and strategy, acting independently, e.g. setting our price for concentrate to a contract manufacturer or licensee.

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CONTACT WITH COMPETITORS

Don't:

- Discuss any commercially sensitive information (e.g. relating to pricing, timing for price increases, strategy) with a competitor, even where such information could easily be obtained from a customer or is, or will shortly become, public knowledge.
- Form any agreement or understanding with a competitor about the prices/terms we will charge/offer to customers, or other aspects of our strategy.

Do:

- Be wary of contact with competitors in informal situations: competition law still applies!
- Ask customers what prices they are paying to our competitors, where we are trying to get them to stock our products, or accept information, such as competitor price lists, where this is volunteered by customers. This is competition working well, and is okay.

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COMPETITION LAW RISK

Competition law is complex and no list of do's and don'ts can be exhaustive. If you are in any doubt about how to deal with a particular situation, please contact the Legal Director.

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TRAINING AND COMMUNICATION

Training on this policy forms part of the induction process for all individuals who work for us in roles where competition law may be relevant, and regular training will be provided as necessary.

Our zero-tolerance approach to violation of competition law must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.

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BREACHES OF THIS POLICY

Any Nichols Personnel who breach this policy will face disciplinary action in accordance with the [Disciplinary Policy](#), which could result in dismissal for misconduct or gross misconduct.

In addition, relevant enforcement agencies may hold such Nichols Personnel liable in their personal capacity for violating relevant competition laws. In certain cases, individuals may face significant fines, penalties and/or imprisonment.

We may terminate our relationship with any Business Partner who is obliged to comply with this policy if they breach it.

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ASKING QUESTIONS AND SEEKING GUIDANCE

If you have any questions in relation to this policy or require guidance on whether a proposed course of action may be in breach of it, please contact the Legal Director.

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