



For the attention of all Westley Group customers

5th October 2020 - Coronavirus Update

As we embark upon the eighth month of running our respective businesses during these unprecedented times, we wish to provide you with a further update on our current position.

As always we would like to begin with praise for our colleagues for the mature and pragmatic way they have approached their work commitments during this period. We are extremely grateful and respectful of the commitment everyone has shown (which includes our customers and suppliers), and also for the professionalism and responsible attitude all our colleagues have exhibited in abundance.

By way of a current update, as we have said previously we have an audited, insurance approved Business Continuity Plan, however it is better to think in terms of staff at work, cash availability, orders on hand and supply availability.

Our update around these parameters is as follows:

- We employ 270 staff at Westley Group, and as a result of a continued phenomenal effort from all concerned, we currently have 263 of these staff in work and working as normal. This level of excellent attendance has sustained throughout the whole of this pandemic period, and is a phenomenal effort from all concerned for which we are very grateful.
- We continue to have adequate cash resources to accommodate the short to medium term cash impact of this situation and continue to have the full support of our banking partner, Barclays.
- Our order books continue to be supportive however as we made clear in our last update, we are now seeing a reduction in order intake levels and as a result we are maintaining much more of a watching brief on activity levels in general. Back in May 2020 the Office for Budget Responsibility was forecasting a 35% fall in real GDP in to the second quarter of 2020 and an unemployment spike of 10%. Whilst this level of disaster scenario planning has not occurred, and we believe will not fully come to fruition, we are expecting a worsening of the economic landscape within which Westley operates. Factories around the world had been forced to close or run reduced hours which will inevitably, in the end cause a significant disruption to the global supply chain. Our expectation is that, even if the gradual easing of the UK lockdown is allowed to continue with further targeted, geographic local lockdowns becoming the norm, the impact of the world wide supply shock will almost certainly impact Westley Group for some time to come. This means we must continue to be the best we can be in all respects, by making products right first time and providing customers with the best service possible. This will be our focus going forwards so we can try to win a larger share of an inevitably shrinking market place.
- In our last updates we reported we were beginning to feel pinch points in our supply base and that as a result we were communicating at a Board to Board level with a number of key suppliers to try to help, guide and work with them to alleviate these pinch points as far as possible. We have experienced little to no limiting factors in supply as a result, and whilst we will continue to keep an eye on the supply side, our focus is very much shifting to the demand side now as we move towards the autumn months.

We have taken the decision to include within this pack a copy of the October Internal Staff Update which has been issued to Westley Group employees. Do please take the time to read the staff update below as this helps to set out how we are continuing to manage the situation in a hopefully proactive and straightforward manner.

As always, should you wish to discuss any aspect of this communication, in the first instance please feel free to email james.salisbury@westleygroup.co.uk and we will be do all we can to assist or to provide further information.

James Salisbury
Chief Executive Officer, Westley Group, 5th October 2020
For and on behalf of: FW Birkett, Walter Frank, Spunalloys, Meighs & Westley

Westley Group Staff: Coronavirus Update October 2020

General Background:

It has been two months since we issued our last update. In the intervening period, the UK has attempted to return to some kind of new normality, with students returning to school and university, and some areas of hospitality opening up. As the furlough scheme draws to a close, there has been an increase in the number of people returning to the workplace so, for example we are seeing our transport network return to close to pre pandemic levels, however in terms of pure economic activity our economy measured by the UK Gross Domestic Product (GDP) is around 11.7% lower than it was in February 2020.

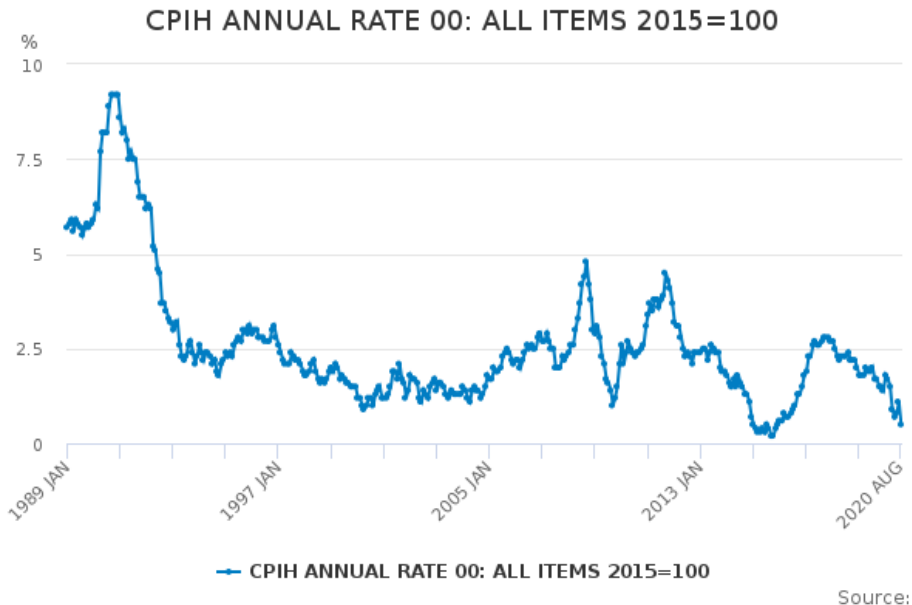
Figure 1: Gross domestic product (GDP) grew by 6.6% in July 2020, the third consecutive monthly increase, but it has still only recovered just over half of the lost output caused by the coronavirus

Monthly index, January 2007 to July 2020



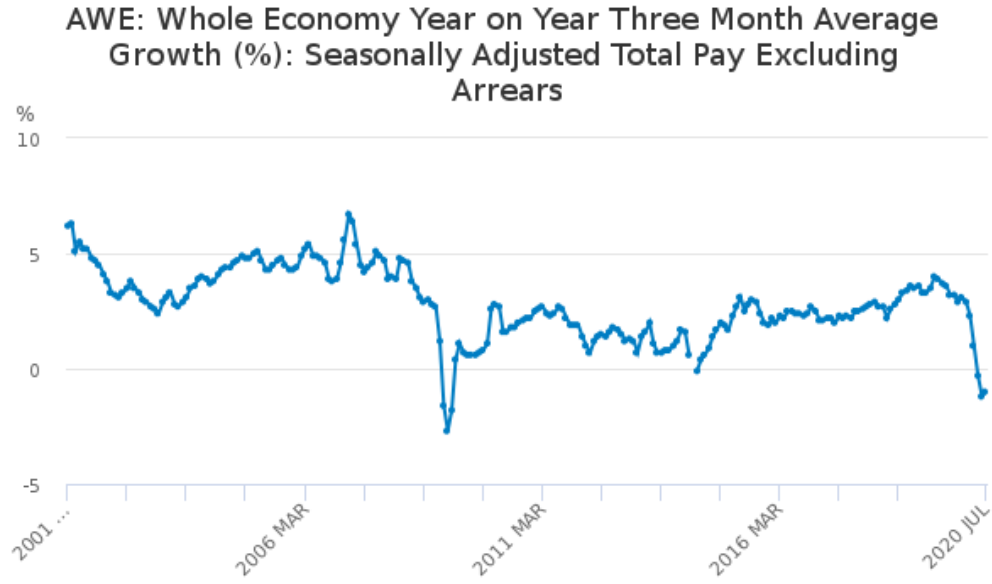
Source: Office for National Statistics – GDP monthly estimate

Inflation, as widely predicted has also experienced a significant drop, with the Consumer Price Index including owner occupied housing (CPIH) falling to 0.5% in August, and our normal measure of inflation CPI, falling to 0.2% in August.



Source:

The number of people unemployed in the UK has risen in the last three months, but at a much lower rate than had been expected. With regret this unemployment rate is now expected to increase as the furlough scheme comes to an end, and as the impact of some of the changes to our economy in order to manage Covid-19 are seen by employers as structural in nature as opposed to temporary. To a large extent the country has managed to retain its workforce during this time period by paying people less (through furlough, or reduced hours, or reduced overtime) and this can be seen in the earnings data, with for example earnings falling to negative levels in June, July and August 2020.



Whole Economy Year on Year Three Month Average Growth (%): Seasonally Adjusted Total Pay
Source:

Throughout all this time Westley Group has managed to work at full capacity, albeit in some areas we have been unable to offer as much overtime as has been historically available. We have also been extremely impressed and respectful of all our colleagues continued support and commitment – as we have said before the absenteeism rate (of around 2.5%) during these testing times has been excellent and this is something everyone should be extremely proud of. We were also very grateful to all those who, many at short notice, accepted the need to have an annual shut down during August. This definitely helped us to smooth out our workload and is something we may need to do again in the

months to come as we are now starting to see quite a marked drop in our order intake as we move in to the autumn months, at a time historically when we would expect to see an increase in activity and hence order intake. As we have previously mentioned, Westley Group's order intake tends to be driven by capital projects around the world (marine and shipping, defence, petrochemical, oil and gas) which are committed to 12 to 36 months before we see the orders for them. We are continuing our close scrutiny of order books and order intake levels, and we will keep you informed of activity levels as we start to move towards December. Slightly connected with the generally slower market place, but driven more so by our desire to reduce the risk to C-19 wherever possible, **we can confirm that we continue to conclude it remains beneficial for us to continue to work at full capacity but to squeeze this full capacity in to four days a week as opposed to five.** We do want to go back to normal as soon as possible, but we do not yet have the confidence to do so. We will be reviewing if we can start to ease the four day week back to the normal five days in certain areas and will make you aware as soon as anything changes. As we have previously said however, we will give at least three weeks notice of any change. At the time of writing we would be surprised if we can bring all areas back to a five day week before Christmas, however it remains our ambition to get back to normal as soon as possible.

Covid-19 Actions:

As we have said before, to an extent, so far, we seem to have avoided some of the disaster scenarios. Some areas of our business are very quiet but some are ok. Some of our colleagues have been impacted by the Covid-19 illness, but the majority have not been. Some of our suppliers have been disrupted by the lockdown, but the majority have carried on almost as normal.

However, this avoidance of a disaster scenario is not down to luck. We have done this by staying very close to customers and ensuring they get what they want on time and right. We have communicated with the customer very step of the way so they know what we are doing and why. We have also worked together inside Westley Group to ensure we are all safe and that we are all kept up to date with developments. Small things which range from regular employee memo's, to the propping open of doors, to the amendment of shift patterns and the number of working days on site, amongst many other smaller measures, have all contributed to an environment which has allowed us to work together as colleagues in a safe manner and make the best of a testing situation.

The most important way for us to adjust to this new normal is in actual fact, to not fully adjust, and to accept that anything may happen. We should expect that we will get quieter as the lack of capital projects which were not committed to in March 2020 starts to hit our order intake. We should be ready for the potential for some geographically localised infection rate spikes so we must maintain our social distancing and hygiene protocols. It is super important that we are stay alert so we can respond quickly to either a commercial or a Covid-19 related change.

Pursuant to this staying alert message we want to touch upon and remind you of the importance of social distancing and hand hygiene in this update to you.

Social Distancing

As you know the UK Government relaxed the two metre rule in certain situations, some time ago.

Whilst we fully support this approach in order to try and keep some aspects of our leisure industry running, at Westley Group we want all our colleagues to keep up with the two metre rule - at work at all times and also when out in public as much as possible.

We must continue to maintain at least a two metre distance between us and any of our colleagues. This applies to all settings and all situations. This will mean that no colleague will come in to close contact with another. We have performed risk assessments and assess we have put measures in place which mean we can maintain the two metre distancing rule at all times. We have said this before, but pursuant to this, we want all our colleagues to feel empowered to be responsible for ensuring their own social distancing. If you are not happy that the function you are being asked to perform can be achieved in a 2m socially distanced and hence safe manner, then you should seek immediate guidance from your line manager.

In particular, we have noticed that there are a number of colleagues who car share, or who use cars to travel to meetings during work's time, who are not achieving social distancing whilst doing so. The only way to properly socially distance in a normal saloon car is for all occupants, including the driver, to wear a face mask. Accordingly we would like to request that any colleagues who are either travelling to and from work together in a car, or who are travelling in one car together during the working day for whatever reason, wear an appropriate face mask or other such face covering, which covers both the nose and the mouth.

Hand Hygiene

We have continued to provide hand sanitiser at various locations around each of our sites. If for any reason you assess that we need more sanitiser we urge you to contact your line manager so that you help us to ensure we have enough hand sanitiser available.

In addition to hand sanitiser we would ask that you wash your hands as often as possible, as each extra hand wash you perform helps in a small way to reduce the risk of you becoming infected.

In closing, we would like to thank you all for your hard work and pragmatism, and in particular for the sensible and professional way everyone has approached this difficult period. Please continue to make the correct and best informed choices possible. We are sure challenges are going to present themselves in the coming weeks and months but we will keep you updated with information and we will continue to take our duty of care very seriously.

Westley Management Team 5th October 2020