



For the attention of all Westley Group customers

5th November 2020 - Coronavirus Update

As we embark upon the ninth 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 261 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.
- 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 seeing a worsening of the economic landscape within which Westley operates. The recent announcement of a new English lockdown, coupled with the tightening of restrictions in the other areas of devolved administrations around the UK, and the restrictions being imposed in certain areas of Europe and around the world, are such that we expect the world wide supply tightening to almost certainly impact Westley Group to some extent. 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 addition to this focus on improvement, we will also be adopting a pilot scheme across certain areas of our businesses starting from next week, to carefully and purposely, pre-emptively reduce some of our capacities in defined areas for a short term time period, whilst maintaining our skill base and our responsiveness to customers. The express aim of this pilot is to smooth out order books in certain defined areas; it must be stressed that it will not have any impact on service parameters to customers.
- 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. The impact of the new lockdown means the supply risk has risen to the fore again, so whilst we have experienced little to no limiting factors in supply to date, we will now turn more of an eye to the supply side. Our focus will still however, very much continue to be on the demand side now as we move further in to the autumn months and Christmas.

We have again taken the decision to include within this pack a copy of the November Internal Staff Update which has been issued to Westley Group employees. This will set out for you our approach to capacity management in the next four weeks, and how we are going to ensure as far as possible, as we have done throughout this difficult period, that Westley Group continues to work as normal. 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 do all we can to assist or to provide further information.

James Salisbury

Chief Executive Officer, Westley Group, 5th November 2020

For and on behalf of: FW Birkett, Walter Frank, Spunalloys, Meighs & Westley

Westley Group Staff: Coronavirus Update November 2020

The first day of a new lockdown:

It has been a few weeks since we issued our last update. In the intervening period, the prevalence of Covid-19 seems to have increased significantly in many regions of the UK and we are told there is a growing body of evidence that this is leading to increases in hospital admissions and related deaths. The correlation between the increase in cases and the increase in deaths is difficult to forecast, so there have been some wide variations in the scientific modelling of future deaths, however the Government have announced a new, short term lockdown period for all the English regions.

Key Worker Status:

As was the case in the original lockdown, all Westley Group employees are involved either directly or indirectly in producing UK national security and supply chain safety products, which is something we should all be very proud of, and also something which means that we have Key Worker Status. As in the last lockdown we have begun to receive formal letters from our customers, primarily in the UK defence supply chain, confirming that the supply chain has been designated by the UK government and the Ministry of Defence as essential, and as such we are expected to maintain the supply chain's capability to the best of our ability – this means we must continue to safely come to work. As we have repeatedly and with good reason said, throughout all this time we have been extremely impressed and respectful of all our colleague's continued support and commitment – the absenteeism rate (of around 2.5%) during these testing times has been excellent and this is something everyone should be extremely proud of.

Business Activity:

As we said in our last update in October, we are very grateful to all those who accepted the need to have an annual shut down during August. This helped us to smooth out our workload and at the time we recognised this was something we may need to do again in the months to come as we were starting to see a reduction in order intake as we moved in to the autumn months, at a time historically when we would have expected to see an increase in activity and hence order intake. Whilst we have a significant number of substantial projects on the horizon, we can confirm this slower, underlying order intake trend has continued on into November, with a reduction in 'run of the mill' work. Enquiries and general activity has been slow. 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. It is our expectation that this new, second lockdown will lead to a further softening

of activity in the majority of those market places, coupled with a short term administrative slow down as the lockdown will lead to less purchase orders, being processed slower, and sent later by customers.

Despite the slowing order intake we have been able, due to the hard work and professionalism of all our colleagues at Westley Group, to maintain adequate profitability and cash generation during this period. This is something we should all be proud of and we should have the confidence to approach this new lockdown with calm determination.

Partial Furlough Pilot:

As you all know, we have continued to work at full capacity in all areas but to squeeze this full capacity in to four days a week as opposed to five. This was driven by the strong desire to reduce our colleague's physical attendance on site by 20%, which we felt strongly was a very important mitigating measure in reducing everyone's overall exposure to any Covid-19 risk. We feel that this model, which has now become widely embedded into our organisation at all levels, may provide us with the opportunity to temporarily smooth out some of our order book and slightly reduce our manufacturing capacity in some areas. Further to this, we will be embarking on a four week pilot project, from week commence 9th November 2020, asking designated sections of our employee base to move to a partial furlough model.

This partial furlough model will be applied with the characteristics set out below. However, before we list the characteristics, we would like to apologise for the short notice we are providing. We recognise it would have been preferable to provide more notice, but this is a fast moving situation and we feel we need to act quickly, but calmly, in order to gain most benefit. Further, due to the fast moving nature of this situation, the detailed rules around the operation of the job retention furlough scheme have not been published as yet by the UK government, so there is a small possibility that we may need to issue further guidance or modifications to this four week scheme in the days and weeks to come.

- Perhaps most importantly, we must all respect that this is something we have not done before. For this reason, it must be stressed that this is a pilot project. It must not set a precedent for how we may undertake any kind of similar scheme in the future. We must reserve the right not to follow any specific detail of this setup should a further, or longer, or deeper furlough type model be required in the future.
- There are areas of our businesses which will not be immediately affected. We do not know if they will, in the fullness of time become affected, but at this stage our machine shop capacity across the Group must be maintained and as such we will be asking the majority of our machine shop oriented colleagues to continue to work the extended shift patterns, with perhaps some local tweaks, which we have all become used to, which squeeze our full contractual hours in to our four day week model. For these areas there will continue to be a requirement for overtime to be worked and we expect all colleagues to maintain work rates and to continue to commit to required overtime. Overtime must continue to be worked in certain areas because there are production areas that have focused and congested output requirements, even though some production cells are quiet. We try to balance work load wherever possible but the reality is that this isn't always possible.
- For other colleagues, primarily those involved in office based activities, support functions and foundry operations, from 9th November, you will be working approximately 20% less than your contractual hours. This will be achieved by you continuing to work on the established four day model (with some very specific exemptions for some specific colleagues, who will be made aware by the GM responsible for their site in the forthcoming day) but with a reduction to the hours worked in those four days.
- Those employees who will be working less than their contracted hours are eligible for the UK Government furlough scheme. This means that 80% of their reduced wages and salaries will be paid for by the government in the form of a claim back by the company. Although it is not mandatory as part of this scheme, Westley Group will make up and fund the remaining 20% so that those employees who enter the partial furlough for the next four week period, will continue to receive 100% of their wage or salary. The employee themselves will see no changes at all and all actions will be managed by the company.
- The company's decision to fund the missing 20% for the forthcoming four weeks must not be taken as setting a precedent for the future because circumstances can always change. Should it be necessary to engage in a further furlough type model it is highly likely that the company will revert to the standard government approved scheme, which provides all those on the scheme with 80% of their wages or salaries.

- It is not possible for this Group wide letter to set out the specifics of all of the shift patterns which we will be asking colleagues to adopt and each site will be providing those details locally, today. The philosophy of the changes will be to ensure safety, customer service and to maximise efficiency. So, for example, all customer facing teams will be expected to implement a staggered start time to ensure the full working day up to 5pm is properly staffed, and there will be staggered start times elsewhere to ensure social distancing can be maintained at entry points and shower times.

Covid-19 Actions:

We would like to take this opportunity to remind all our colleagues of the following:

Social Distancing

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.

We would like to remind 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, to 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 Group Management Team 5th November 2020