



For the attention of all Westley Group customers

28th March 2020 - Coronavirus Update

As we are about to embark on the fourth week of running our respective businesses during these unprecedented times, we wanted to provide you with a further update on our current position.

As previously said, we manufacture cast and machined components primarily in Copper based alloys. Due to the materials we manufacture being very anti-corrosive in sea water we tend to find that many of our customers operate in an oil exploration and delivery, gas supply, firefighting or naval defence market place. Hence, by natural selection we tend to find that we are a critical supply partner to a number of essential industries.

Last week we asked customers, who themselves hold formal critical Key Supplier Status (KSS) for supply chains such as the UK Ministry of Defence (MOD), to send us an email or letter confirming this. Receipt of these letters was critical for us to feel able to remain ethically and morally open. The numerous letters we have now received are not just for the MOD supply chain, but also other critical industries like food preparation and fire-fighting. We are both very grateful for the responses and very aware of the responsibility that comes with such letters. We believe there are two main aspects to consider attached to such responsibility. Firstly we respect how important it is we continue to provide this key service to our customers. Secondly, but more importantly, within the detail of the KSS, we need to ensure all our Westley colleagues are provided with as safe an environment as possible and do not want to be viewed as having extended the intention of this KSS status such that we irresponsibly continue working in a manner which was not intended.

There is a risk that Westley Group could be seen to be acting irresponsibly and we want to proactively communicate with all stakeholders to ensure that this does not happen.

Westley Group manufactures difficult things. This means we employ highly skilled and experienced people, with over 80% of our colleagues working in our foundry workshops and our machining workshops. The learned knowledge our colleagues hold, and the interaction and cross fertilisation of this learned knowledge is critical to our core competence.

Our foundry workshops are team environments. Our foundry colleagues are highly skilled workers with niche skills. The manufacture of one cast component requires a team effort from numerous individuals, from the pattern maker, the methoding engineer, the laboratory technician, the furnace man, through to the casting team, the skilled moulder, the skilled die setter, the dresser, the radiographer, the dye penetrant qualified operator and the inspector. All our foundry workshop personnel are required to make the one casting.

Similarly with our machine shop colleagues, they are highly skilled engineers. The machining of one cast component needs the tool maker to manufacture the fixture after consulting with the engineering team, the CAD engineer to create and refine the programme, the CNC lathe operator to turn and bore the component, the CNC machining centre operator to mill and drill the component, the CMM operator to measure the component, the inspection team to set up and run the pressure test whilst ensuring stamping and identification meets specification and the casting inspector to inspect the component again for surface imperfections. All of our machine shop personnel are required to machine the one casting. We have support staff who make the packing cases, or load the transport wagon, or remove the waste sand from the foundry, or highly qualified and coded welders who perform time critical upgrade, or critical highly skilled maintenance and engineering staff who ensure the plant and equipment continues to run safely. Again, all our support staff are required to provide our supply base with one machined cast component.

As we have said, Westley Group manufactures difficult things, but we also manufacture in environments which are inherently unsafe and we manufacture components which are integral to the safety of those who use them. It is our actions and our teams which make them safe and we must not compromise on this. We have highly skilled and experienced people, with just under 20% of our colleagues working in our offices or in a managerial capacity. Our

organisation is a quality demanding, safety first environment. We operate in molten metal, heavy moving part workshops. We cannot provide the high integrity casting quality, and most importantly we cannot provide this quality in an uncompromisingly safe manner, without almost all of our office or managerial colleagues being physically present at the work place. We have to ensure from enquiry review and contract review, via the route card which forces traceability but requires human intervention at each stage, through to final documentation and certification, that all processes and outcomes are recorded to ensure our products are fully compliant. We make safety critical, life at risk components, and as such we must have the administrative staff physically in place to ensure we are complying with the safety and quality standards required of the component.

We take the physical and mental health of our colleagues very seriously. This consideration has quite rightly risen to the forefront of all our minds over recent weeks. We have held extensive consultations, many in real time, with our colleagues over the recent weeks to put in place measures to safeguard their physical and mental health and wellbeing. We have made you aware of some of these via other communications. However, we cannot circumnavigate the largest obstacle to this aim which is that almost all at Westley Group need to continue to physically attend the workplace for us to safely and successfully make one casting. With all of this borne in mind, from week commencing 30th March 2020, we will be moving all our Westley Group businesses and offices to a **condensed** working week, where we will seek to reduce all our colleagues attendance at work by one day per week. This carries different connotations to different groups of colleagues due to the different shift patterns we conduct, but by far the vast majority of our colleagues will not be physically attending work on a Friday.

We must stress that this is not in any way short time working. Westley Group is not reducing it's capacity in any way.

For our customer, it will mean that we are not physically present in our offices on a Friday. Many of our staff will have their Out of Office on for this one day of the week (because they will have carried out 100% of their time at work Monday to Thursday). Senior members of staff are very keen to make this work to create the best safeguarding model we can for all our colleagues so will continue to be available on mobile phones and emails on Fridays and will in the main be working as normal. If at all possible, we ask that our customers allow us to deal with non-urgent issues between Mondays to Thursdays. But equally, we stress, we want to make this work so we will do all we can to help on Fridays too.

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 and orders on hand, and our update around this is as follows:

- As you know we employ 270 staff at Westley Group, and as a result of a phenomenal effort from all concerned, we currently have 257 of these staff in work and working as normal. This has slightly worsened from our last update but remains 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 of remaining at work and we have received a number of proactive, forward looking orders from our customers this week, **which we are very grateful for**. This kind of tangible support is exactly what we need to ensure we can continue to provide the supply chain support that our customer needs. Thank you very much for this.

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

We would like to wish you, your family and your colleagues safe passage through this difficult time.

James Salisbury

Chief Executive Officer, Westley Group, 29th March 2020

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

Enc: Example of the employee notice below to further illustrate this Westley Group actions and activity.

Coronavirus Update 25th March 2020

Proposal to maintain contractual hours but decrease any at risk exposure time

As we have said on a number of occasions we are very respectful and grateful for everyone's dedication and commitment to provide the essential service we offer to international engineering market places. We have now received a significant number of letters from customers informing us we are providing an essential service to firefighting and naval defence market places. In particular we are being reminded we are pivotal to our nation's ability to provide it's Continuous At Sea Deterrent (CASD) strategy which defends the UK from hostile attack. More information on what CASD is, can be found at <https://www.royalnavy.mod.uk/news-and-latest-activity/operations/global/continuous-at-sea-deterrent>. We cannot publish the letters in an open forum due to security and data protection reasons. Furthermore, we know some colleagues are questioning how they themselves can be individually essential and we would like to take the time to answer this question in this note to you. Given that we are essential, which we are, in order for us to manufacture and sell our essential, high integrity cast and machined components we require a total team approach. It is the team which is essential, not the individual, but without the individual the team will not operate, so actually the individual becomes essential. We need someone to enter the order, we need someone to create the route card, we need someone to order the material or the consumable, we need someone to offload the delivery wagon, we need someone to make the component, we need someone to machine the component, we need someone to clean and degrease the component, we need someone to remove the sand from our foundries, we need someone to remove the metal chippings from our machine tools, we need someone to process and pay the wages, we need someone to enter the purchase and sales invoices, and we need someone to oversee all of this and make sure we are all operating safely and efficiently.

Following a management team conference call this morning we want to make you aware of a proposal that we are actively considering. This proposal is to consolidate the working week by one working day for all colleagues, but to maintain each employees' working hours so that we maintain the same volume of production so that each employee who is able to work continues to receive their full contractual pay. We hope this will allow us to achieve the following:

- Reduce our colleagues at risk exposure activities – 20% less lunch times, 20% less entrances and exits, 20% less showers and changeovers etc.
- Reduce our exposure time travelling to and from work by 20%.
- Show that we are cognisant of attempting to reduce our essential travel time to do our bit to help limit the spread of Covid-19 to the general public.
- Provide a relatively empty workplace one day per week to facilitate a weekly deep cleaning operation, which will further help to limit the spread of Covid-19 to our colleagues.
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We are hopeful that this new, temporary way of working can be implemented for week commencing 30th March 2020. For it to be implemented we need to achieve the following:

- The understanding of our customers. This is NOT short time working. **This is 100% full time working, done differently.**
- Agreement from our colleagues. We will listen to any colleague who cannot make this work, but we will act in a manner which enacts the greatest good for the greatest number.

- Agreement from our colleagues that this is a short term, temporary working model. It will not be possible to operate in this manner permanently.
- Agreement from our colleagues that this method of working must provide the Company with the ability to maintain the same production rate, and customer service rate, as if we were working over five days. We need our colleagues to continue to work the same number of working hours including any overtime they were previously being asked to work. If at any time this ability risks being jeopardised by this proposal we would be forced to cease this model of working immediately and with no notice.

We are very grateful to everyone for their commitment during these testing times and we will be in touch as soon as possible to advise you of the result of our consultations.

Westley Management Team 25th March 2020