

Good Competition Practices



CONNECTING THE WORLD OF TOMORROW

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Glossary

Abuse of Dominant Position	Anti-competitive business practices (including unfair exploitation of customers or exclusion of Competitors) that a dominant undertaking may use to maintain or increase its market position.
Competitor/s	A Company or the Companies which is/are currently active on the same Relevant Market as the Company under investigation, or which is/are able to switch production to the relevant products and market them in the short term without incurring significant additional costs or risks in response to a permanent increase in relative prices (immediate supply-side substitutability).
Antitrust	Field of Competition Law and policy. In the European Union (“ Union ” or “ EU ”) context, this includes both the rules governing anti-competitive agreements and practices and the rules prohibiting Abuse of Dominant Position.
Competition	A situation in a market where sellers of a product or service independently strive for the patronage of buyers in order to achieve a specific commercial objective, e.g. profits, sales and/or Market Share.
Competition Law	Laws passed in most modern economies to protect Competition in their market against cartels (meaning companies that have agreed to limit competition against each other), abuse of dominance, monopolies, anti-competitive mergers, price fixing and other harmful practices.
Concerted Practices	Coordination between Companies which, without having reached the stage of concluding a formal agreement, have consciously substituted practical cooperation for the risks of Competition.
Dominant Position	An undertaking is in a Dominant Position if it is able to behave independently of its Competitors, customers, suppliers and

	ultimately the final consumer. A dominant firm with such market power would have the ability to price above the competitive level, to sell inferior products or to reduce its rate of innovation below the level that would exist in a competitive market.
Market Share	A measure for the relative size of a Company in an industry or market, in terms of the proportion of total output, sales or capacity it represents.
Relevant Market	A market in which a particular product or service is sold.

Importance of Competition Law Rules

Constructel is subject to the Competition Law rules of the EU, of Portugal, of the national laws of the other member states of the European Union in which it is present, and, possibly, of third countries. Competition Law rules are enforced at the European level by the European Commission and at the national level, in Portugal by the Competition Authority (“**PCA**”).

The compliance with Competition Law rules is vital for the success of the Company, so it is essential to implement compliance programmes that allow the identification and application of the basic principles and rules of Competition and the compliance with their determinations in the conduct of the Company’s business.

Non-compliance with Competition Law rules may have several negative effects, such as (i) the imposition of high fines; (ii) the filing of a lawsuit, which creates significant burdens, including managers’ time, legal costs, among others; (iii) the risk of filing a lawsuit for damages caused to third parties; (iv) the risk of high reputational damage.

Ignorance of Competition Law is no defence. In fact, Competition authorities are likely to be more lenient towards Companies that inform their employees about the Competition Law rules and insist on compliance. Compliance Programmes are relevant for this reason as well.

In case of doubt, they can always contact the Constructel’s Group Compliance Officer or our legal department for guidance and advice.

Restrictive Agreements

Competition Law rules prohibit agreements and Concerted Practices (forms of cooperation that do not take the form of an agreement) restricting Competition.

Agreements and Concerted Practices between two or more undertakings or decisions by associations of undertakings which have as their object or effect the restriction of Competition within the European Union or significant effect on Competition in all or part of the Portuguese market are prohibited. Agreements and Concerted Practices that violate Competition Law rules are void and any party may invoke that invalidity.

Prohibited agreements may consist of:

- the application of dissimilar sales conditions for equivalent services;
- direct or indirect fixing of prices or other trading conditions;
- distribution of markets or sources of supply;
- limitation of production, distribution, technical development or investment;
- making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations unrelated to the contracts; and
- public procurement.

Under certain conditions, agreements that would normally be unlawful may be exempted if they exhibit certain characteristics, including:

- improving the production or distribution of goods or promoting technical or economic progress;
- allocating a fair share of these benefits to consumers;
- not imposing restrictions which are not indispensable; and
- not substantially eliminating Competition.

Companies have a duty to evaluate their agreements themselves to assess their compliance with EU Competition Law. The risks are particularly high in the case of agreements between Competitors (for example, between Constructel and a Company operating on the same markets).

All agreements with Competitors must be analysed and approved in advance by Constructel's legal department.

Abuse of Dominant Position

Abuse of Dominant Position denotes prohibited anti-competitive business practices (including unfair exploitation of customers or exclusion of Competitors) that a dominant undertaking may use in order to maintain or increase its market position within the internal market or in a

substantial part of it.

These abusive practices may, in particular, consist of:

- directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;
- limiting production, distribution or technical development to the prejudice of consumers;
- applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage; and
- making the conclusion of contracts subject to acceptance by the other parties of additional services which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

Determining whether an undertaking is dominant in a given market requires a detailed analysis of that market. A firm may be dominant if it has substantial market power, which can be measured by reference to various criteria, including Market Share.

The essence of dominance is the power to engage in a certain behaviour (and notably to raise prices) regardless of competitive pressure.

Given the market position of Constructel, this risk is not especially high. However, the fact that certain reference operators tend to work mainly with Constructel may lead the authorities to apply a market segmentation (for example, placing the manufacturers working in the networks of the main telecom operators in an autonomous market), which may make possible an analysis of dominance by the Company.

Abuse of Economic Dependence

Portuguese law also prohibits a Company or a group of Companies from abusing what is called “economic dependence” on a supplier or consumer.

If a firm is in such a position that it has no equivalent alternative for goods or services that are supplied or purchased from another firm, the firm is said to be in a situation of economic dependence.

Abuse of economic dependence may take various forms, in particular, any of those mentioned above in respect of prohibited agreements.

Given the activity of Constructel, this rule shall be taken into account in relations with suppliers of goods or services. If these Companies can claim that they have no equivalent alternative to the contract they have with Constructel, it is possible that they claim to be in a situation of dependence. Thus, any breach of an existing contract with a Company that is in such a position must be assessed bearing in mind this risk.

Consequences of Violating the Competition Law Rules

Investigations

If the competent authorities become aware of circumstances which may indicate the violation of Competition Law rules, both the PCA and the European Commission or other government authorities may initiate an investigation into the conduct in question.

To obtain information, the authority may request undertakings to provide all necessary information and documents, may obtain statements from a natural person and may carry out an inspection at the undertakings' premises (and the homes of their employees) during which it may examine and copy their books and records and take oral evidence from their employees.

Both the European Commission and the PCA have several options for action available when they detect a breach of the Competition Law rules, always with the aim of ensuring that infringements stop immediately.

Fines and Penalties

Failure to comply with Competition Law rules can give rise to serious consequences not only for Constructel but our employees. Constructel can be fined and employees and management can be personally fined under certain circumstances. Accordingly, it is of the highest importance that all Constructel personnel take care to understand and comply with these rules.

Policy of Compliance with Competition Law Rules:

- Constructel and its employees shall comply with the Portuguese and EU Competition legislation. Constructel shall not authorise or allow any conduct that may give rise to anti-competitive accusations or create an appearance of illegality.
- All Constructel employees must comply with Portuguese and EU Competition Law rules.
- People in management positions are responsible not only for their conduct, but also for the conduct of their subordinates. Each manager shall inform his employees of the

policy of compliance with Constructel's Competition Law rules, ensure that each person has access to information and advice on this matter and implement internal control mechanisms to reduce the risk of violations of Competition Law rules.

- No Constructel officer has the authority to participate, approve or tolerate any violation of Competition Law rules. All those who violate this policy shall be subject to disciplinary action.
- Anyone with any questions about the applicability of Competition Law to an action or transaction should always consult the contact person.
- Anyone who becomes aware of any actual or suspected violation of Competition Law rules involving Constructel business shall report such fact immediately to their line manager or contact person.
- Constructel employees are encouraged to seek guidance from the contact person.

In any case, Constructel can:

- compete legally and ethically to gain competitive advantage for Constructel, and to achieve the highest possible number of sales and contracts; and
- legitimately obtain the highest possible level of information about other Competitors through customers, suppliers and publicly available information. Sources of information should always be recorded.

Constructel, including its employees, officers, directors, or anyone acting on Constructel's behalf should **NEVER**:

- Discuss specific and confidential Constructel information that could be used to restrict Competition, such as:
 - individual prices, pricing methods or price changes, discounts or rebates;
 - the allocation of markets, territories, customers or suppliers;
 - marketing strategies, including special offers;
 - production costs;
 - market entry proposals, e.g. with a new product; or
 - planned investments or changes in production levels.
- Remain in a meeting, formal or informal, where Competition-related issues are improperly discussed, even if you do not participate directly in the discussion.
- Exerting coercion on a supplier or giving the appearance of a threat.

Constructel shall:

- Bear in mind the rules of Competition in contacts between Constructel and other operators in the market, even at informal or social level. Avoid any practice (through Constructel alone, or jointly with other Companies) that restricts Competition.
- Refuse to discuss any of the above topics and report this to the appropriate persons.
- Learn through the workings of the market.
- Attend conferences and other similar occasions to acquire general information about industry practices, supplier offerings, etc. but NEVER obtain specific, confidential information about other Competitors/suppliers or pass on such information.

If you are considering entering into an agreement with one of Constructel’s competitors or sharing information about Constructel’s business with a Competitor, you must first speak with your Compliance Officer to obtain guidance and, as necessary, authorization.

Questions and support

Every employee has an obligation to report known or suspected violations of this policy. If you are uncomfortable doing so, you may use an anonymous method of reporting. Further detail on reporting is available in our Reporting Potential Violations Policy.

In case any question in relation to this Policy or any other compliance policy, or in case a specific incident is not covered by any policy, please consult our Group Compliance Officer for further guidance (compliance@constructel.com)

It is understandable that Reporting Persons are sometimes worried about Retaliation. Constructel aims to encourage openness and will support staff who raise genuine concerns under this Policy, even if those concerns turn out to be mistaken.

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