

Corporate Social Responsibility

Melrose supports and monitors the Corporate Social Responsibility policies, practices and initiatives across its businesses.

Reflecting the decentralised nature of the Group, responsibility for the adoption of policies, practices and initiatives sits at a divisional level. This ensures that rigorous and targeted policies and procedures are implemented that meet local regulatory requirements and guidance, whilst also taking into account the size and nature of the business.

The information set out in this Corporate Social Responsibility Report focuses on the initiatives taken during 2018 by each of the five divisions that now make up the Melrose Group. The policies, practices and initiatives set out in this report are indicative of the approach taken with any new business Melrose acquires.

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01



Employment matters

The Group recognises its responsibilities for the fair treatment of all its current and potential employees, in accordance with legislation applicable to the territories within which it operates, together with relevant guidance on good practice where appropriate.

Employment policies

As part of the Group's decentralised approach, each of Melrose's businesses is responsible for setting and measuring its own employment and employee related KPIs and, as such, these can vary throughout the Group. However, such measurements will generally include absenteeism, punctuality, headcount and employee relations issues. Any concerns or adverse trends are responded to in a timely manner.

Equal opportunities for appropriate training, career development and promotion are available to all employees within the Group regardless of any disability, gender, religion, race, nationality, sexual orientation or age.

Applications for employment by disabled persons are always fully and fairly considered by the Group and are considered on merit, with regard only to the job-specific requirements and the relevant applicant's aptitude and ability to carry out the role. Furthermore, as a Group-wide policy and so far as particular disabilities permit, Melrose and each of its businesses will, where practicable, make every effort to provide continued employment in the same role for employees who are disabled during their period of employment or, where necessary, provide such employees with a suitable alternative role, together with appropriate training.



It is the Group's policy that in recruitment, training, career development and promotion, the treatment of disabled persons should, as far as possible, be identical to that of other employees. Melrose is proud to be a member of the Business Disability Forum, a not-for-profit member organisation that works with the business community to understand the changes required in the workplace in order that disabled persons are treated fairly, so that they can contribute to business success, to society and to economic growth.

Employee involvement, consultation and development

The Group places great importance on good labour relations, employee engagement and employee development. The responsibility for the implementation and management of employment practices rests with local management, in a manner appropriate to each business.

A culture of clear communication and employee consultation and engagement is inherent across the Group. Employee briefing sessions with employee representatives are held on a regular basis to communicate strategy, key changes, financial results, achievements and other important issues to employees, and to receive feedback from them on these

issues. Regular appraisals, employee surveys, notice boards, team meetings, suggestion boxes and newsletters are also used to communicate and engage with employees, and to solicit their feedback on issues of concern to them.

During 2019, the Board established a workforce advisory panel ("WAP") in order to further promote effective engagement with, and encourage participation from, its workforce. Given the Group's decentralised nature and Melrose's strategic business model and frequent turnover of businesses, the WAP comprises of the Chief Human Resources Officer (or equivalent) from each business unit and a Melrose Group representative. Each member of the WAP is responsible for promoting workforce engagement, collating the voice of the workforce and demonstrating how that voice is fed into executive discussions for their respective business unit. This information is then fed back to the Board for consideration in its discussions and decision making.

Extensive training is available to all staff and is actively encouraged to ensure that high standards of skills are maintained across the Group. Inter-departmental training programmes are also put in place across the Group to ensure that skills are shared between operations. The importance of training extends beyond on-the-job training and also focuses on enhancing personal development. In addition, apprenticeship programmes help to assist with training a new generation of employees and to ensure knowledge is retained within the businesses. Employees across the Group are encouraged to think innovatively and to have regard for both financial and economic factors affecting the Group.

The Group regards employee engagement, training and advancement as an essential element of industrial relations.

Employee initiatives

During 2018, a range of employee-related initiatives were implemented across the Group:

- GKN Aerospace piloted and launched 'Talent Assessment and Development Centres' which focus on career development in addition to individual assessment. The 'transition centres' are offered at two levels; those individuals wanting to become a leader and those looking to move from being a leader to leading other managers. The assessments cover a range of psychometric testing, real-life simulations and in one of the centres, a coaching academy.
- GKN Automotive has focused on investment in its future workforce by standardising its global graduate programme with reinforcement of the importance of development, mentoring, performance management and Corporate Social Responsibility. GKN Automotive has increased its total number of graduates to 24, a quarter of whom are female.
- GKN Powder Metallurgy has a number of employee training programmes. In particular, GKN Powder Metallurgy offers engineering development programmes, as well as various leadership training programmes. In order to adapt to changing market trends and to help foster talent, some of these programmes are in the process of being reviewed.
- The SST division continued its emphasis on improving its products and services through the employee invention process. The Innovation Committee meets monthly to review employee submissions, the committee consisting of internal counsel, external patent counsel, senior engineering leadership, and the inventors themselves. Incentives are in place for employees to submit their invention ideas, including financial incentives if a submission results in applications filed and patents granted. In 2018, the Innovation Committee heard 52 invention idea presentations by employees. At present, 22 of these invention ideas are in various stages of either business development or drafting of a patent application.
- Brush HGI has partnered with Toyota Manufacturing (UK) and has enrolled two HGI staff onto the Toyota Engineering apprenticeship scheme. The apprentices will be based at both HGI and Toyota Manufacturing (UK) for the duration of their 44-month apprenticeship, where they will train at Toyota's world class training facility in Derby and they will be taught by some of the UK's leading trainers, who will help develop, support and guide them into HGI's engineers of the future. Not only will this apprenticeship bridge the gap between education and the workplace, it will also help HGI address current and future engineering skills gaps whilst focusing on the development of younger people in this specialist sector.

Corporate Social Responsibility

Continued

02

Community and charitable matters

Melrose Skills Fund

In 2018, Melrose committed to setting up the 'Melrose Skills Fund', with the ambition to create a supply chain of high calibre engineers for the whole of the UK. This forms part of Melrose's wider ambition to create an engineering and manufacturing powerhouse for the UK. Melrose is contributing £10 million to the 'Melrose Skills Fund' over five years. The Fund will operate in collaboration with NGOs.

The funding will be available to support the Group's Aerospace and Automotive divisions, but will also be available to higher education colleges to create new opportunities for young people and help foster the next generation of great British engineers. In order for this Fund to operate effectively, Melrose is currently conducting a Training Needs Analysis to understand what skills are needed and for whom, where operational inefficiencies lie, and speaking to potential partners across business, government, academia and institutions.

Proposals have already been suggested to develop the GKN Innovation Centre in Abingdon, near Oxford, as a global centre of excellence for eDrive technology, composites and additive manufacture. Melrose has also identified potential university partners, high value 'manufacturing catapults', and developed relationships with institutions including the Institute of Mechanical Engineers. In particular, this Centre will be sponsoring select teams who are building electric powertrain cars for Formula Student, a prestigious educational engineering competition. This Centre would be at the forefront of creating highly skilled jobs for the UK manufacturing industry.

In Filton, near Bristol, where GKN Aerospace has a manufacturing site, proposals have also been put forward for a Global Technology Centre, a Digital Training Centre and Proving Ground where local communities can be trained to better utilise the digital capabilities our country needs. As the technological world around us accelerates, it is important that the UK has the digital literacy to remain not just globally competitive but emerge as a global leader and this is the vision behind this Centre.

In addition, Brush is setting up a 'Skills Development Fund'. This Fund will identify internal and external development needs, engage and collaborate with partners and ensure that sustainable development is at the heart of its business.

From the creation of STEM programmes, apprenticeships and degrees, to investment in manufacturing hubs, digital skills, and employee development, Melrose is equipping the UK with the future skills our country needs.

In addition, employees of the Group continued to support a number of worthwhile charities and community projects during 2018. Here are a few examples of the great contributions that have been made.



Samarthanam, India

Since 2016, GKN Aerospace in India has worked alongside the Samarthanam Trust to develop a five-year plan to support 450 children with disabilities and from underprivileged backgrounds. As part of their commitment, GKN Aerospace has established a computer-based resource centre at Samarthanam to help the children gain essential skills and play an active role in society. The centre also provides training to improve their job prospects. So far, GKN Aerospace has funded 1,824,500 Indian Rupees for the project.



Sea turtle conservation

Employees at GKN Automotive in Thailand joined a sea turtle conservation programme with the aim of creating awareness amongst the younger generation of the endangered nature of sea turtles, whilst teaching children about how they can better protect them. The employees, together with school children, created nesting areas on Kerachut Beach in Penang National Park for the sea turtles by planting Merambung trees to attract the turtles to the area so that they can safely hatch their eggs away from predators.



American Cancer Society

HVAC held several fundraising activities for the American Cancer Society, a US voluntary health organisation that is dedicated to eliminating cancer. These activities included participating in the 'Relay for Life' team fundraising cancer walk and a 'Pink Day' that was held at the Dyersburg plant in October 2018. The Dyersburg plant has raised over US\$28,000 to date for the benefit of the American Cancer Society, and employees are looking forward to participating in the 'Relay for Life' in 2019.



03

Diversity

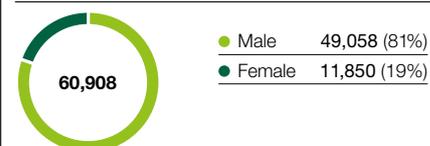
The charts to the right show the total number of males and females working within the Group as at 31 December 2018.

Melrose is a meritocracy and individual performance is the key determinant in any appointment, irrespective of ethnicity, gender or other characteristic, trait or orientation. The Board recognises the importance of diversity throughout the workforce and the Board is committed to equality of opportunity for all employees. Further details on the Group's Diversity Policy can be found on page 91 of this Annual Report.

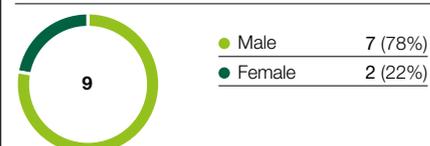
The Group currently takes into account a variety of factors before determining suitability for vacancies, including relevant skills to perform the role, experience and knowledge. The most important priority, however, has been and will continue to be ensuring that the best candidate is selected.

Melrose is a participant of the Hampton-Alexander Review and also notes the recommendations of Lord Davies' review, "Women on Boards". Melrose continues to encourage gender diversity throughout the Group. Although not appropriate to set specific gender diversity targets at Board level or throughout the Group's workforce due to Melrose's strategic business model and frequent turnover of businesses, Melrose is actively engaged in finding ways to increase the Group's diversity.

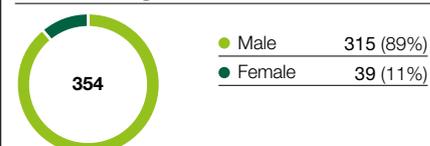
Total Group Employees



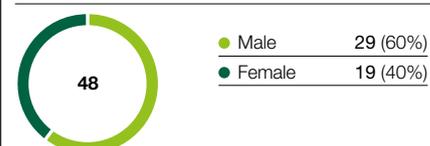
Board



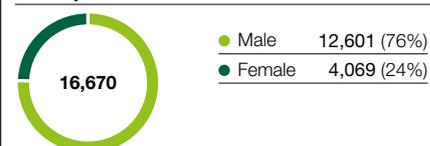
Senior Managers⁽¹⁾



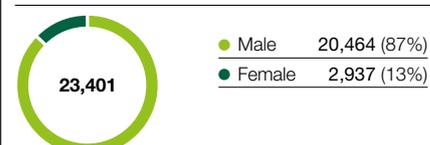
Melrose – Central



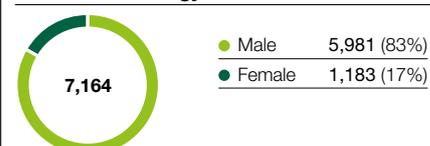
Aerospace



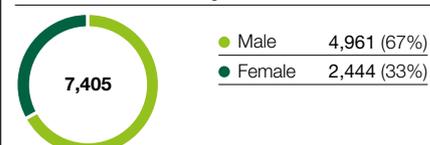
Automotive



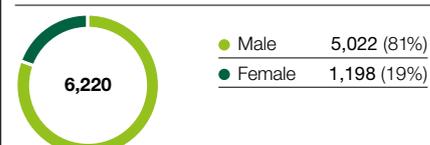
Powder Metallurgy



Nortek Air & Security



Other Industrial



(1) Senior Managers include the Melrose senior management team and, as required by s414C of the Companies Act 2006, this figure excludes the Board of Melrose Industries PLC and includes Melrose subsidiary company directors.

Corporate Social Responsibility

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The environment

The Melrose Board fully understands the importance of the Group's environmental responsibilities and is committed to ensuring that the operations of its businesses have the minimum possible adverse effect on the environment.

The Group ensures that its businesses understand the importance of monitoring the impact of their operations on the environment, although there are no standardised environmental KPIs currently used within the Group. A range of KPIs are used as environmental measures, including energy consumption, CO₂ emissions, water consumption, water contamination, waste disposal, solid and liquid waste generation, recycling and volatile organic compound emissions. These KPIs are then used to plan for ongoing improvements.

During 2018, the Company continued to comply with the ongoing annual reporting requirements of the UK's Carbon Reduction Commitment Energy Efficiency Scheme.

Environmental initiatives

During 2018, a range of environmental initiatives were implemented within the Group's divisions. Some of these are listed below:

- GKN Aerospace remained committed to further environmental improvements across the business. By the end of 2018, 84% of GKN Aerospace's sites achieved ISO 14001 certification. In addition, the business's first certification to ISO 50001 was achieved at its site in Munich, Germany. The site at El Cajon, California, US as part of a consortium of six large industrial facilities in San Diego,

entered into a Strategic Energy Management Agreement whereby it has committed for two years to identify energy savings measures, with an ultimate goal of reducing 2019 usage by 5% (with a 1% reduction already achieved by the end of 2018).

- ISO 14001:2015 accreditations were retained by all GKN Automotive sites, with 13/14 European plants being certified within ISO 50001. In 2018 all of the Driveline plants were contributing to the doMORE! Campaign, which aims to improve use of energy, and we implemented over 100 energy efficiency activities. The energy savings projects in the European sites alone saved over 1.3 million kWh in 2018. In addition, the business managed to achieve its landfill reduction target of 10%.
- All GKN Powder Metallurgy sites successfully finalised the transition to ISO 14001:2015 and completed a comprehensive third-party compliance audit during the second half of 2018. To continue its focus on environmental protection and energy efficiency goals, Hoegenaes Corporation Romania, recognized as one of the highest energy consumers in the business, successfully obtained a third-party Stand-Alone Certification for its Energy Management System according to ISO 50001.



In addition, the business achieved a 3.7% global reduction in energy resulting in savings of 25,000 MWh (vs. 2017) and a 9.3% global reduction in landfill waste equalling 242 tons (vs. 2017).

- HVAC continues to look for opportunities to reduce its environmental footprint: its Montreal, Canada facility reduced the use of wood packaging by approximately US\$48,000 in favour of recyclable materials for interplant shipments. In Tualatin, the conversion to LED lighting is approximately 60% complete and the business received a three-year Silver Green Business Certification. Further, in 2018 the business procured an enterprise-wide software that will enable tracking of hazardous waste generation, recycling of cardboard, paper, metals, electricity and water use by site by month with future plans to track CO₂ emissions.
- AQH launched the Hartford Energy Team with support from WPPI, a local electric utility, and Focus on Energy, a state-wide programme in Wisconsin, US, which have built a robust energy consumption model to understand current consumption of electric power and natural gas and to review the impact of energy reduction projects. AQH has also implemented measures to look for reduction opportunities and to identify and quickly correct leaks in its compressed air system. The business has replaced fluorescent bulbs with LED tubes at certain facilities and remodelling projects now use only LED lighting. As a result of the above activities, AQH qualified for US\$60,000 in rebates in 2018. In addition, the GBIS Huizhou site maintained its ISO 14001:2015 registration.
- The SST sites continue to ensure that they either meet or exceed the Universal Waste and Recycling regulations, as well as maximising their recycling efforts. In order to reduce electrical consumption and Universal Waste category reductions, the use of fluorescent bulbs was eliminated and replaced with LED lighting at two facilities, as well as implementing energy efficient exterior LED fixtures at another. The new Carlsbad, California, US site was developed with bioswale storm water collection/subsequent recycled water distribution for all site irrigation purposes.
- All GKN Wheels & Structures sites retained their ISO 14001:2015 accreditations. The Armstrong, US site installed a new interface to control the

light and air system in the plant, which resulted in reduced energy usage and a US\$20,000 rebate on lighting. All GKN Wheels & Structures sites undertook an independent environmental audit in 2018 to help identify opportunities for further improvement.

- Brush continued to focus on making further energy savings. Lighting initiatives across the Blackwood, UK, Ridderkerk, The Netherlands and Brisbane, Australia sites continue, with the installation of LED lights in the factory and surrounds, which will deliver an annual CO₂ reduction and generate savings for the business. The Blackwood site also completed its transition to ISO 14001:2015 and recycled 100% of its mixed wood waste in 2018. A paper reduction initiative was also introduced in Brisbane, which saw paper consumption reduce by more than 50% over the year.

Greenhouse gas emissions

The Group is required to measure and report its direct and indirect Greenhouse gas ("GHG") emissions in the UK pursuant to the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The reported emissions cover all entities over which the Group had financial control over for a period of at least one year as of 31 December 2018. Emissions from entities acquired or disposed of during the reporting period (i.e. disposed of before 31 December 2017 or acquired after 1 January 2018) are not accounted for in the report. Note the emissions associated with the purchase of the GKN group midway through 2018 have not been included in the report as per the GHG accounting procedure, and will be included in next year's reporting period and lead to a significant increase in the overall Group emissions (GKN's last reported emissions for 2017 amounted to 1.29 million tonnes).

The year-on-year like-for-like emissions were down by around 10% mainly due to continuing significant reductions in reported energy usage at the Brush Loughborough, UK and Czech Republic sites, and the Nortek Saskatoon, Canada and Shenzhen, China sites and the closure of the Mississauga, Canada site and a near 20% reduction in the Ergotron group emissions. These have outweighed an increase in process related emissions at the Brush Blackwood and Brisbane sites and a 12% increase in emissions across the HVAC division.

The GHG reporting period is aligned to the Company's financial reporting year.

The data has been prepared in accordance with the principles and requirements of the Greenhouse Gas Protocol, Revised Edition, ISO 14064 Part 1 and the Department for Environment, Food & Rural Affairs (DEFRA) guidance on how to measure and report on Greenhouse gas emissions, as first published in 2013 and subsequently updated.

We have reported on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

All material emissions from within the organisational and operational scope and boundaries of the Group are reported. The emissions from owned vehicle transport (i.e. Group owned cars and vans, lorries and fork lift trucks) and the emissions associated with refrigeration have been excluded from the report on a de minimis basis.

Given that the Melrose business model is to acquire and divest businesses over a three to five-year time frame, there may be significant year-on-year changes in the reported emissions data, which may not reflect the underlying GHG performance of the Group's businesses.

Global GHG emissions data for period 1 January 2018 – 31 December 2018 (tonnes CO₂e⁽¹⁾ unless stated)

Emissions sources	2018 ⁽²⁾	2017	Change
Combustion of fuel & operation of facilities (scope 1) ⁽³⁾	23,261	23,680	-2%
UK electricity	1,718	3,236	-47%
Overseas electricity	29,592	33,273	-11%
Total purchased electricity (scope 2) ⁽⁴⁾	31,310	36,509	-14%
Other purchased energy (scope 2) ⁽⁴⁾	1,801	2,027	-11%
Company's chosen intensity measurement:			
Emissions reported above normalised to tonnes per £1,000 turnover	0.030	0.030	0%

(1) CO₂e – carbon dioxide equivalent, this figure includes Greenhouse gases in addition to carbon dioxide.

(2) The 2018 emissions data does not include the GKN businesses as they were acquired part way through that year.

(3) Our scope 1 estimates include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.

(4) Our scope 2 estimates include emissions from electricity and heat purchased by the Group's businesses. Scope 2 emissions, and total Greenhouse gas emissions, are calculated using Market based methods.

Corporate Social Responsibility

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Health and safety

The Board is committed to minimising the health and safety risks that each Group employee is exposed to by promoting the effective use and management of business-specific policies and procedures.

All divisions in the Group have the health and safety of their workforce as a key priority. Each business unit uses data collection methods of comparable scope, frequency and quality. We have been working with the GKN businesses to conform their KPIs to those reported by the non-GKN businesses, and can now confirm that all businesses are reporting in accordance with the usual Melrose calculations.

The Group has a policy in place, which is supported by regular top-down monitoring and bottom-up reporting and continuous improvement procedures, to ensure that the Directors are made aware of any serious health and safety incidents wherever they occur in the world without delay and enable suitable investigative, preventative and corrective actions to be implemented. Current events and issues relating to health and safety matters are also discussed at quarterly Board meetings of the Company in consultation with the divisional health and safety leads. Where an urgent or high priority matter arises, the Melrose senior executive management team will monitor and discuss it on an expedited basis to determine a responsive action plan for implementation by the relevant divisional management team.

Tragically, a fatality occurred at the GKN Wheels & Structures facility in Telford, Shropshire, UK at the end of 2018. The incident remains under investigation by the UK Health and Safety Executive and the business is cooperating fully whilst implementing its own health and safety action plan.

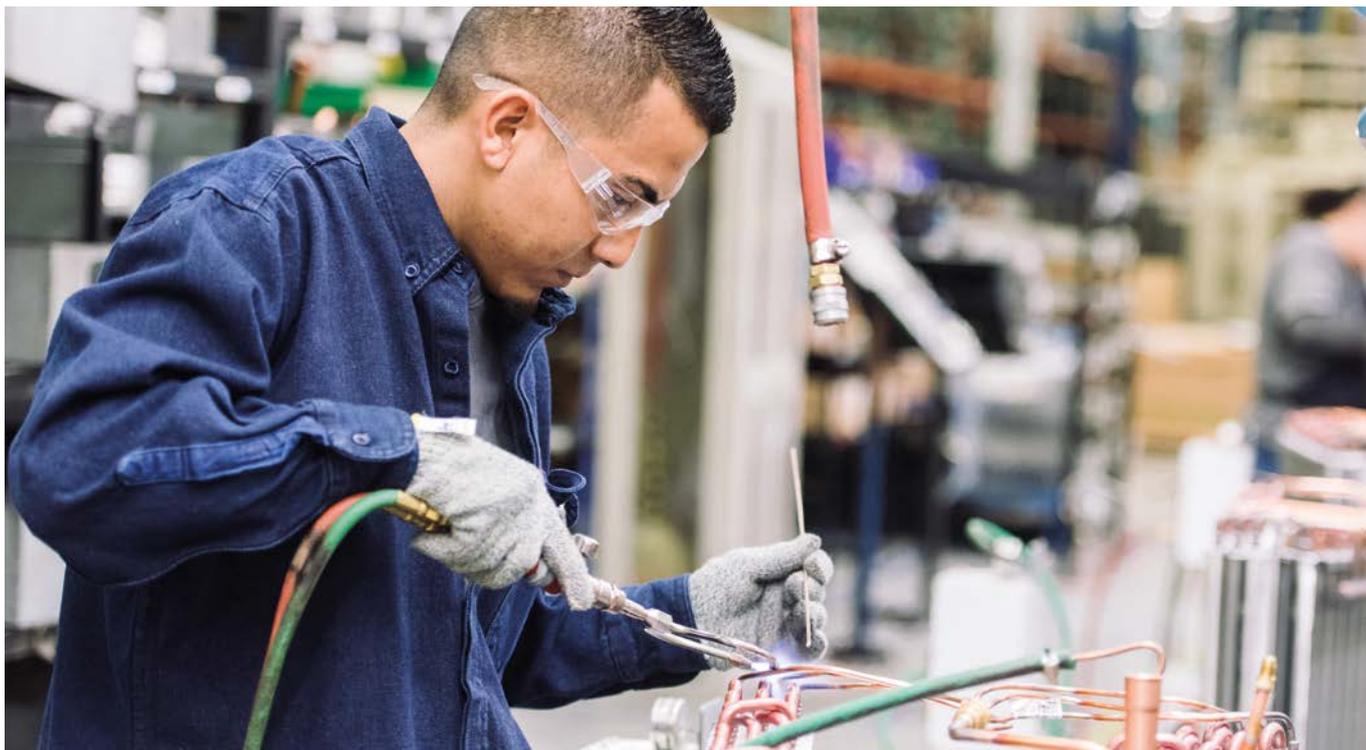
Any fatal incident is one too many and the Company has responded to this incident by closely supporting and monitoring the divisional management team in implementing a comprehensive detailed action plan for corrective and improvement measures without delay, which include actions related to the accident as well as a wider health and safety review at the relevant facility. The business has extended its support to the family involved and those working at the plant who have been affected by the incident. In line with the Group's commitment to health and safety excellence the Board continues to impress upon divisional management teams the importance of maintaining high levels of health and safety awareness that align not only with regulation, but also good industry practice and site-specific risk profiles. The Group emphasises to all divisional management teams that health and safety performance and vigilance must be prioritised at all sites, with focus placed on those sites that contain production facilities.

Each division is responsible for setting its own detailed arrangements concerning health and safety policies and procedures, in accordance with local health and safety legislation and as is appropriate to the activities undertaken at each facility. As a general rule, the Board regularly directs divisions to strive to achieve best practice in terms of what is suitable and practical for the size and nature of their operations. Defined and business-specific health and safety key performance indicators are also used. Reports detailing each division's performance in relation to three health and safety KPIs (major accident frequency rate, accident frequency rate and accident severity rate) are presented to the Board and reviewed at each quarterly Board meeting.

The year was overshadowed by the tragic accident at Telford and efforts have been redoubled in order to avoid any recurrence. As would be expected, health and safety remains the primary focus and there were no consistent or repeated material issues or concerns identified by the Board during 2018. Behaviour-based safety programmes and reinforcement training remain at the forefront of all business divisions' health and safety initiatives, with additional focus on strengthening near-miss and hazard awareness programmes to maintain a culture of safety awareness, informed risk mitigation, regular workplace training and reduction of hazardous behaviours in each division.

For more information on the Group's health and safety KPIs, see the key performance indicators section on pages 18 to 19 of the Strategic Report.

During 2018, the recently acquired GKN businesses introduced a number of targeted safety-enhancing initiatives in respect of hazard identification, working at height, manual handling and ergonomic safety. Reported attendance at the relevant information and training sessions was high. Safety awareness amongst employees continues to grow and be reinforced as part of the quarterly "ThinkSAFE" training, with different topics being aimed at groups of employees based on their business function. Monthly refresher sessions are held on specific topics such as personal protection equipment and the manual handling of parts, all within the facility environment on a localised basis and tailored to the requirements of each site where appropriate.



Within the Automotive division (which makes up over 35% of the total Group workforce) the major accident frequency rate and total accident frequency rate decreased compared to 2017. This followed increased prominence of specific practical safety initiatives such as machine risk assessments, safety in setting and changeover assessments, safe working on high-voltage automotive systems and workplace transport risk assessments – the latter seeing a concurrent reduction in the number of risks that were identified in the Automotive division relating to the interaction between employees and fork lift trucks. Safety awareness continues to be conducted in a targeted manner.

The Automotive division's US plants in Alamance, Rockwell and Sanford received safety excellence awards from the US Department of Labor in acknowledgement of their injury reduction and risk management.

Other notable site-specific initiatives include the implementation of a behaviour-based safety improvement model at the Aerospace site in Pune, India which saw a reduction of 81% in the total incident rate at that facility.

The Powder Metallurgy division's Sinter Metals Conover facility in North Carolina, US received an award from the North Carolina Department of Labor recognising the site's outstanding health and safety efforts. The Hoeganaes Cinnaminson site in New Jersey, US received an MPPA

award for several years of zero lost time accidents in the workplace and an award from the New Jersey Governor's Counsel in recognition of zero work-related injuries.

Brush continued to focus on enhancing employee engagement and hazard reduction across its facilities, with its UK site continuing to see good performance and the Czech Republic facility implementing additional initiatives including increased visual inspections of key constructions and lifting devices, and replacement of manual machines for CNC machines. In the UK, Czech Republic and The Netherlands, ISO 14001 and OHSAS 18001 standards continue to be maintained and the transition from ISO 9001:2008 to ISO 9001:2015 was completed across all facilities. In the UK, Brush was awarded the ROSPA Gold Award in Health and Safety, signalling industry recognition for its high standards in health and safety.

Brush's behavioural safety programme has continued to improve the strong health and safety culture within the business. The programme focuses on developing a proactive approach among Brush employees to increase responsibility and accountability for their own and their working group's actions, whilst ensuring that employees intervene at the earliest opportunity to stop hazardous acts or correct any unsafe conditions.

At HVAC, behaviour-based observations, job safety analysis and personal protection equipment assessments continued. A Nortek Safety Executive Council was formed and the Dyersberg, US facility received the Safety Award from the State of Tennessee for having an outstanding safety programme.

Facilities within the Group generally hold the ISO 14001 and OHSAS 18001 certifications where appropriate with a number of sites planning to roll out ISO 45001 next year.

Following these initiatives, among others, the Group has recognised the benefits of a workforce engaged in matters of health and safety, management teams committed to the continuous improvement of health and safety standards throughout the Group's businesses to keep the workforce safe.

Corporate Social Responsibility

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Supply chain assurance

Each business is responsible for the management of its supplier base, including the application of the appropriate policy, which best suits the geographical and operational diversity of the Group.

The security, assurance and ethical compliance of business supply chains are very important to Melrose and its businesses. Responsibility for the implementation and management of all supplier-related policies rests with local management. Such policies are used in a manner appropriate to the size and complexity of the business and also take into account the nature and geographical representation of key suppliers. A supplier approval process exists within all business divisions, which is linked to specific and tailored supplier assessments and due diligence requirements utilising third party resources and the implementation of appropriate terms and conditions for the protection of the Group.

A number of initiatives were undertaken during 2018 to improve supply chain in light of the acquisition of GKN. With Melrose support, the GKN divisions have renewed their focus on improving their performance and delivery, particularly in critical supply chains. This requires a focus, on both its own suppliers, as well as delivering for its customers.

As part of its supplier focus, as well as working to ensure its on time payment, GKN Aerospace and GKN Automotive launched a joint global procurement transformation plan to drive business improvement, which seeks to optimise its £1.4 billion of spend on indirect products and services. This involves partnering with suppliers for indirect products and services across these divisions. Preferred suppliers are in the process of being selected for these indirect products and services, including consumables and non-OEM parts. Concurrently, all businesses are working to achieve similar improvements with their direct commodity suppliers.

Steps have also been taken to improve relationships with customers. In particular, Melrose has funded the significant investment required to achieve the necessary operational improvements fundamental to securing this improved performance.





07

Human rights and ethical standards

Sound business ethics and integrity are core to the Group's values and a high importance is placed on dealings with all employees, customers, suppliers and other stakeholders.

The decentralised nature of the Group means there is no over-arching policy currently in place with regard to human rights; however Melrose is committed to good practice in respect of human rights. Employees across the Group are required, at all times, to exhibit the highest levels of integrity and to maintain the highest ethical standards in business affairs. The full text of the Melrose Code of Ethics, which all employees of the Group are required to familiarise themselves with, can be found on the Company's website at: www.melroseplc.net/about-us/governance/code-of-ethics.

In addition to the Melrose Code of Ethics, each Group business is expected to have its own code of ethics dealing with matters such as human rights. All business-specific employee policies are prepared locally within each business in order to ensure compliance with local laws and standards as a minimum. Responsibility for the communication and implementation of such policies rests with the relevant senior managers within the Group's businesses.

Finally, the Company's Modern Slavery Statement is available on the Company's homepage at www.melroseplc.net. The Group has taken steps to implement effective and proportionate procedures to ensure that there are no forms of modern slavery in the Group's business or supply chains. This has included ensuring that all businesses have implemented a robust policy regarding the prevention of modern slavery and human trafficking and that online training has been made available to employees as the businesses have determined to be appropriate.

The Strategic Report, as set out on pages 10 to 69, has been approved by the Board.

On behalf of the Board

Simon Peckham
Chief Executive
7 March 2019