

Melrose Group disclosures in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (“TCFD”)

Taskforce on Climate-related Financial Disclosures (“TCFD”) Index

Governance

a) Describe the board's oversight of climate-related risks and opportunities.

The Chairman and the Melrose Board oversee and have ultimate responsibility for Melrose's sustainability initiatives, disclosures, and reporting. This includes, but is not limited to, climate risks and opportunities. The Board has responsibility for approving the sustainability strategy, sustainability report and sustainability targets, which also includes climate-related targets. Details of how the Board delegates risk management authority across the divisions is described in the Risk management section of our 2021 Annual Report on pages 40 and 41.

The Board receives regular training, at least annually, on sustainability issues that impact our businesses, including climate change. The Board also receives quarterly updates on key sustainability and climate-related issues that impact the sectors in which the Group's businesses operate, and on the specific measures that need to be implemented to drive improved climate-related performance of the businesses. Please see page 47 for details of how sustainability and climate-related issues fit into wider Melrose governance and Board responsibilities. Our Section 172 statement on pages 50 to 53 of our 2021 Annual Report describes in more detail the Board's decision-making in 2021, including in relation to sustainability and climate-related matters.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Melrose senior management team oversees the Group sustainability function. This responsibility includes the publication of this Sustainability Report and the setting of climate-related targets in line with the TCFD recommendations across the businesses in 2021. We integrate the management of sustainability and climate-related issues across our existing governance and committee structures. Please see page 47 for a diagram that outlines how climate is integrated into our governance and committee structures.

We run a decentralised model and overseeing climate-related issues and implementing relevant actions and initiatives is most effective at the individual business level, where most impact can be had. Each business's CEO and executive management team are accountable for climate change and sustainability. Throughout the year, the Melrose Group sustainability function has engaged with the CEOs and other relevant senior leaders of each business to set expectations and to ensure there is appropriate oversight of the impacts of climate and other material sustainability risks and opportunities. Please see the Divisional reviews on pages 12 to 29 of our 2021 Annual Report and pages 10 to 23 of this Sustainability Report for detail of how the divisions are engaging on climate change.

Strategy

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.

In alignment with our “Buy, Improve, Sell” business model, we view managing climate-related risks and opportunities with the aim of protecting and enhancing both the value of our businesses and their impact on the world. We have considered climate risk under short, medium, and long-term time horizons that reflect the investment and value creation cycle of our “Buy, Improve, Sell” model. We have included a description of the climate-related risks identified as part of our qualitative climate scenario analysis on pages 22 to 23. The time horizons used for the scenario analysis were as follows:

- Short-term: until 2023 – aligned with Melrose investment and immediate improvement phases.
- Medium-term: until 2026 – aligned with Melrose ownership, engagement and “Improve” period and beyond.
- Long-term: until 2040 – expected to align with the period beyond Melrose ownership for our current businesses.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

In 2021 we invested over £153 million across our businesses on climate-related research and development, for example, to develop products that help their customers to improve their energy efficiency and to reduce their GHG emissions compared with conventional technologies. Please see pages 10 to 20 for further examples. We have described how sustainability and climate-related issues are integrated into our broader strategy in the description of our strategy and business model on pages 4 to 5.

Climate change has a direct impact on product strategy, development, and financial planning across all of our businesses. Our businesses work closely with their customers, partners, and world-class research institutions to develop market-leading, cost-effective innovations and deliver solutions that address environmental challenges. On pages 22 to 23, we have provided details on how we are embedding low carbon transition into our businesses alongside our relevant targets.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

To understand, and plan for, how Melrose will be impacted in plausible future climate scenarios and to improve our strategic resilience, we carried out our first climate scenario assessment, under two scenarios. These scenarios use Representative Concentration Pathways (“RCPs”), that set pathways for concentrations of GHGs and, effectively, the amount of warming that could occur by the end of the century. We used the same criteria to rate the climate-related risks that is used to rate other strategic Group risks. Further details of how our businesses are supporting the decarbonisation of their sectors are outlined on pages 10 to 20, and details of our 2021 qualitative climate scenario analysis can be found on pages 22 to 23.

Risk management

a) Describe the organisation's processes for identifying and assessing climate-related risks.

Climate change will continue to have direct physical and transitional impacts on the businesses, although for each business the impacts will be different. Each business is individually responsible for developing and managing processes to monitor and manage their climate-related risks. The qualitative climate scenario analysis described on pages 22 to 23 was a key step in identifying climate-related risks and opportunities. Please see the Risks and uncertainties section on pages 42 to 49 of our 2021 Annual Report for details of our Group approach to assessing principal risks including climate change. This year we also assessed water stress. Please see pages 24 to 25 for details.

b) Describe the organisation's processes for managing climate-related risks.

With Melrose's support, each business invests in and implements appropriate systems and processes to manage their impact on the environment, and continually reviews these in line with evolving expected practices. The executive management team of each business regularly reviews any significant climate-related issues, risks and opportunities related to the business. These reviews consider the level of climate-related risk that the business is prepared to take in pursuit of its business strategy and the effectiveness of management controls in place to mitigate climate-related risk. In line with our decentralised model, our businesses have frameworks in place for identifying principal risks and opportunities appropriate to their business and stakeholders, which include climate-related risks. Each business takes an appropriately tailored approach to improve relative to their maturity in this area at the time of becoming part of the Group.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

In 2021, the Group risk categories were expanded and refined to include climate change as a strategic Group risk, to reflect the emerging risks involved with the increased frequency of extreme weather and climate-related disasters, coupled with increased climate transition legislation and regulations in this area. Please see page 47 of our 2021 Annual Report for details on how climate change is integrated into our Group strategic risk profile.

At the end of 2021, in recognition of the businesses' strong focus on ensuring an efficient and sustainable use and management of energy, 112 sites (74%)⁽¹⁾ across our businesses were certified to ISO 14001 standard, and 28 sites (18%)⁽¹⁾ had achieved ISO 50001 certification. Compliance to the standards is ensured by independent auditing, with annual surveillance audits being completed and a full re-certification carried out every three years.

Metrics and targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Improving operational efficiency is a key factor that shapes the long-term profitability and sustainability of our businesses and contributes to ensuring that they are responding appropriately to changing regulatory and stakeholder requirements and expectations. Our ambition is to achieve net zero GHG emissions in our Group's operations before 2050 in line with the UK Government's target, to achieve the goals of the Paris Agreement. As part of our evolving sustainability strategy, we have identified relevant Group-level KPIs to support us in better articulating our transition plan to meet our net zero ambition. These metrics include GHG emissions, water (withdrawal and stress) and waste. We have reported Scope 1 and Scope 2 emissions data for the Group for several years and have now set reduction targets for the short, medium and long-term. In 2021, we also began to report a limited number of Scope 3 emissions and will shortly incorporate these into our targets. Please see the tables included on pages 52 to 53 of the Annex to this Sustainability Report for our Scope 1, 2 and 3 emissions disclosures.

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 Greenhouse gas (“GHG”) emissions and the related risks.

We have reported Scope 1 and Scope 2 emissions data for the Group for several years. In 2021, we also began to report a limited number of Scope 3 emissions. Please see the tables included on pages 52 to 53 of the Annex to this Sustainability Report for our Scope 1, 2 and 3 emissions disclosures. Our Group emissions are closely linked with our Group climate transition risk exposure. Please see our 2021 qualitative climate scenario analysis on pages 22 to 23 for details on our climate transition risk and how our divisions are addressing and engaging with climate transition risks and opportunities.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Each of our businesses are at a different stage of their respective strategic sustainability improvement journey, and at different points in their Melrose ownership. By the very nature of our “Buy, Improve, Sell” strategy, our Group sustainability performance will fluctuate during our investment cycle as we acquire new businesses in need of improvement, and sell businesses that we have improved. These differences among our businesses, and the unique nature of our business model, have been assessed and considered in setting the parameters of the Group sustainability targets, which cover net zero, Scope 1 and Scope 2 emissions intensity, renewable electricity sourcing, waste diverted from landfill, climate-related research and development expenditure and the development of new products that contribute to the decarbonisation of the sectors in which we operate. Please see page 14 for more details on our environmental targets including time horizons.

(1) Data has been collected from 98% (by sites) of the Group.