

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 unit 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 businesses.

The information set out in this Corporate Social Responsibility Report focuses on the initiatives taken during 2016 by each of the four 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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1

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.

Employee 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. Where reasonable to do so, arrangements will be made to both enable disabled persons to carry out a specific role and, where practicable, make every effort to provide continued employment in the same role or suitable alternative role for employees who are disabled during their period of employment.

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.

Extensive training is available to all staff and is actively encouraged to ensure that a high standard of skill is maintained across the Group. Inter-departmental training programs 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 programs 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 training and advancement as an essential element of industrial relations.

Employee initiatives

During 2016, a range of employee related initiatives were implemented across the Group:

- Within the Security & Smart Technology division, employee engagement is a key focus, with feedback as to how best to maximise involvement regularly obtained from the workforce. One key outcome from an engagement survey was the establishment of the Inventor Award Program, which recognises the technological contributions which result in original inventions. In the short time this program has been established, the business has had 35 invention ideas submitted, of which nine have been moved forward with patent filings.
- High value is also placed on career succession and planning at Security & Smart Technology. The division has taken steps to communicate and develop a culture where employees are able to grow and develop their careers. This begins from hire, where the business establishes career paths, current and future openings and actively seeks out qualified internal candidates. The division annually utilises its organisational capability review process to identify high potential employees and align them with learning and growth opportunities.
- Within our Ergonomics division, Ergotron has conducted over 30 training programs globally with over 1,000 employees participating. Topics have included leadership and management skills training, product and marketing training, system, process and program training in addition to benefits and wellness training. The business has also launched a North American mentoring program which will be expanded globally and provides employees opportunities to enhance their learning through the educational reimbursement program.

- Ergotron has established individual and team recognition programs across the business, honouring employees annually for efforts and accomplishments achieved in line with their values. The business recognises years of service and rewards for the hard work and contributions of its global, committed employees. Global sales, marketing and service, special projects, team and individual achievements, combined with honouring years of service and appreciation awards, resulted in over 600 recognised employees.
- Ergotron has a strong belief in providing avenues for employees to have a healthy lifestyle including conducting over 50 global wellness and employee events last year. These events included team competitions, participating in numerous charitable activities and employee and family outings. In its China facility alone, over 900 employees and family members participated in these types of events.
- Brush continues to take the health and well-being of its employees seriously and has further developed and enhanced its Occupational Health Service during the year, which is available to employees five days a week. The service can make referrals to doctors, physiotherapists or counselling services, as required, ensuring that the business supports its employees throughout any periods of absence or illness. Health promotion is a key feature of the service, which is continually developing through awareness campaigns and has had a positive impact on both the employees and the business as a whole.

Charitable achievements

Relay for Life

A team from Air Management took part in the Relay for Life, an event in which team members take turns navigating a designated route to raise money for the American Cancer Society. The American Cancer Society is a nationwide, community-based voluntary health organisation dedicated to eliminating cancer as a major health problem.

Heart Walks

Since 2012, Ergotron has made a commitment to sponsor and participate in the American Heart Association's (AHA) Heart Walks throughout the US. AHA is an organisation whose mission is to improve the lives of all Americans and help people understand the importance of healthy lifestyle choices, which aligns with the Ergotron mission of promoting a healthy environment for life and work. Teams from the business's Twin Cities, Phoenix and Tualatin offices have raised over US\$100,000 and look forward to the fund raising activities and the Heart Walk every year.



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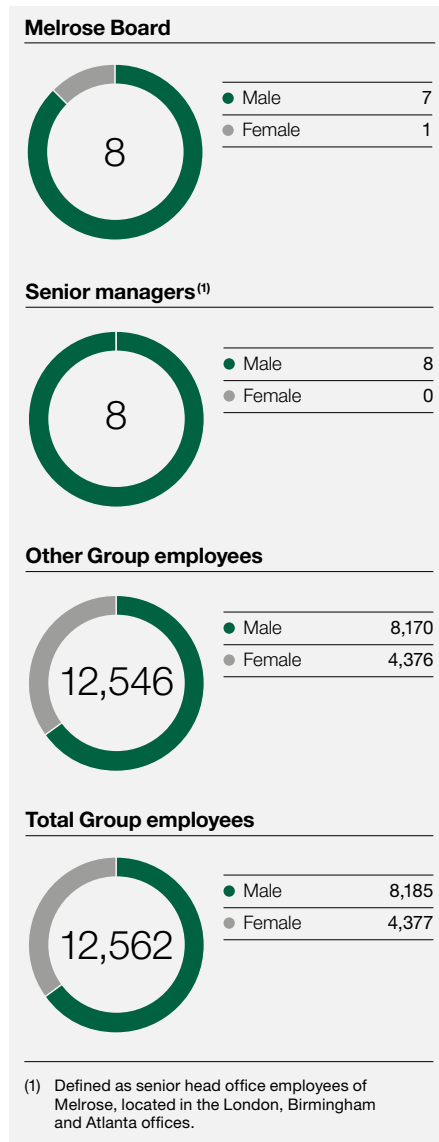
2 Gender diversity

The charts opposite show the total number of males and females working within the Group as at 31 December 2016.

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.

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, and this approach will remain in place going forward.

Melrose notes the recommendations of Lord Davies' review, "Women on Boards" and continues to encourage gender diversity throughout the Group. Although not appropriate to set specific gender diversity targets at Board level and 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 gender diversity.



3 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.

The Group has a policy to ensure that the Directors are made aware of any serious health and safety incidents, wherever they occur in the world, without delay, to ensure that suitable investigations and corrective action can be organised. Current events and issues relating to health and safety matters are also discussed within the Group at quarterly Board meetings of the Company.

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. As a general rule, they 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 Melrose Board and reviewed at each quarterly Board meeting.

The increase in the accident severity rate at Brush was the only item of concern for the Board during 2016, and it sought a detailed explanation from the business of both the root cause and its response. Although the incidents were very unfortunate for all involved, the Board was satisfied with Brush's comprehensive response. It has also been a reminder of the necessity for constant diligence and striving to improve health and safety standards.

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

A number of sites within the Group hold the ISO 18001 certification, the internationally

recognised assessment standard for occupational health and safety management systems, including Brush's manufacturing locations in the UK and the Czech Republic, AQH's facilities in Italy and Poland and Ergotron's APAC-region sites. The Air Management division's Tualatin, Oregon facility earned its fourth year SHARP Award (Safety & Health Achievement Recognition Program). SHARP is an intensive, five-year safety program that will conclude with full certification at the end of 2017. The division is currently evaluating its Okarcho, Oklahoma facility for SHARP readiness and plans to pursue first steps in 2017.

Within the Air Management division, employees are instructed to report all near misses and minor injuries, and if an incident occurs immediate notification is required to the Plant Manager, Group Health & Safety Manager and Group VP of Operations. Plant managers are accountable at monthly group strategy deployment meetings for the identification and evaluation of root causes and counter measures related to health and safety indicators. There is a significant commitment from management throughout the division, with safety performance criteria incorporated into operations managers' annual objectives.

The Security & Smart Technology manufacturing facility has a health and safety manager responsible for co-ordinating its safety program on-site, together with a dedicated health and safety committee composed of heads of departments. The committee is responsible for providing assistance in the event of an incident, reporting any incidents to the local authority, meeting weekly to review health and safety indicators and conducting a comprehensive annual audit. Health and safety data is reported centrally within the division on a monthly basis. At GTO's facility in Michigan, a dedicated safety team conducts bi-annual audits to identify any potential issues and take corrective action where necessary, while at its Tallahassee location, a safety committee holds quarterly meetings.

The Ergonomics division has implemented a continuous improvement program, driving safety standards across the business and actively seeking improvement suggestions from its employee base. A culture of

promoting safety has been established across the business, with improved training programs being undertaken by the workforce and enhanced personal protective equipment implemented. Managers are provided with health and safety reports to ensure matters are given high visibility and any necessary improvements are authorised and implemented quickly.

At Brush, divisional managers are responsible for ensuring that health and safety remains a key focus and that active procedures and monitoring systems are in place which were reviewed and updated in response to the incidents leading to the increase in the accident severity rate in 2016. Detailed health and safety plans are set by Brush management each year to determine annual targets and improvement initiatives. Brush also has health and safety committees, which meet on a regular basis and are made up of representatives from both management and shop floor level personnel. Each of the committees has wide-ranging responsibilities which vary between operations and include the review of reported incidents and the monitoring of incident trends. These committees are also responsible for ensuring that corrective measures are implemented when accidents occur and that all incidents, whether or not they are deemed reportable under local legislation, are given due attention.

During 2016, a range of health and safety initiatives were implemented across the Group, some of which are listed below:

- At the end of the year, each of AQH's manufacturing locations conducted an extensive external safety audit consisting of over 500 detailed subject matter questions. The business is in the process of finalising actions to prioritise and address open items. Follow-up "cross-facility" audits will be conducted later in 2017 by the Group Health & Safety Manager and peer personnel.
- At Air Management, the business implemented monthly safety committee meetings at its Okarcho and Oklahoma City facilities, mirroring programs already established at its Canada and Tualatin plants. Air Management also introduced cut and strain awareness training (these

being the two most frequent injury types at all plants in 2016). This reflects a focused approach to educate and reduce these occurrences. Forklift and high lift training is also being rolled out at Oklahoma and Canada sites, together with incentive programs to encourage positive safety behaviour and improve attendance.

- Air Management has commenced the process of establishing a safety counsel across all plants to collectively work on projects that will drive continuous improvement in its safety program, with participants being nominated by their managers as empowered representatives. Key areas of focus for the counsel in 2017 will include specific safety challenges at each site, the identification of any shortcomings in the business' approach to safety and the identification of areas that would benefit from a collective approach.
- Within Security & Smart Technology, GTO's Michigan facility implemented 65 improvements during 2016, while a separate ergonomics improvement team researched and implemented seven actions designed to reduce ergonomic injuries at the facility. Regular health and safety inspections were conducted by the health and safety team across the division throughout the year and the annual internal audit process was effectively implemented.
- At Brush, the recently implemented behavioural safety program continued to improve the already strong health and safety culture within the business. The program focuses on developing a proactive approach among Brush employees so that they increase their responsibility and accountability for their own, and their working group's, actions while ensuring they intervene at the earliest opportunity to stop hazardous acts or correct any unsafe conditions.

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 and a recognition that a strong health and safety focus can have a positive impact on growth and brand value.

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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 operations have the minimum possible adverse effect on the environment.

Although there are no Group-wide standardised environmental KPIs reflecting the Group's decentralised nature, it nonetheless ensures businesses understand the importance of monitoring the impact of their operations on the environment. 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 the year, the Company continued to comply with the ongoing annual reporting requirements of the UK's Carbon Reduction Commitment Energy Efficiency Scheme.

Environmental initiatives

During 2016, a range of environmental initiatives were implemented within the Group's divisions. Some of these are listed below:

- Security & Smart Technology continued to manage the division's disposal processes for waste and recyclables, and complied with all applicable hazardous materials disposal/recycling requirements. GTO specifically focused on water and energy conservation by replacing overhead lighting, remodelling restrooms, installing solar operated gates and the retrofit of the facility's air handler. A number of objectives have been established for 2017, including continued focus on energy conservation.

- Ergotron added the environmental certification ISO14001:2004 to its locations in Minnesota, EMEA, and APAC. The division focused throughout the year on reducing its impact on the environment, resulting in 97% of waste materials at its EMEA and Minnesota locations being recycled. APAC locations introduced returnable bins with some suppliers to avoid waste.
- Brush continued its focus on making further energy savings, including in gas and electricity consumption. Through more effective energy management and greater employee engagement, electricity consumption for lighting at its Czech operations was reduced by 24%, whilst heating consumption was the lowest in the location's history. Lighting initiatives across the Loughborough site continue with ad hoc upgrades which continue to generate savings for the business. Targets for 2017 include a review of packaging to reduce waste disposal.

Greenhouse gas emissions

The Group is required to measure and report its direct and indirect greenhouse gas (GHG) emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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, Corporate Accounting and Reporting Standard (Revised Edition) 2004 for Scope 1 and Scope 2 emissions 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.

The reported emissions cover all continuing operations of the Group as at 1 January 2016. Emissions from entities acquired during the financial year ended 31 December 2016 are not accounted for in the reported GHG data. Therefore, for example, data from the former Nortek businesses has not been included within the reported GHG data this year, as this business was acquired during the year.

Global GHG emissions data (tonnes CO₂e⁽¹⁾ unless stated)

Emissions sources:	Year ended	Year ended	Change
	31 December 2016	31 December 2015	
Combustion of fuel & operation of facilities	7,122	8,825	-19.3%
UK Electricity	3,717	4,053	-8.3%
Overseas Electricity, heat and steam ⁽²⁾	9,008	8,719	+3.3%
Total purchased electricity	10,689	11,043	-3%
Other purchased energy	2,035	1,729	+17.2%
Company's chosen intensity measurement: Emissions reported above normalised to tonnes per £1,000 turnover ⁽²⁾	0.081	0.083	-2.4%

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

(2) The emissions associated with overseas electricity are presented in tonnes carbon dioxide only as per the DEFRA guidance.

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. The GHG emissions from these sources have been estimated to account for less than 1% of the total Melrose Group emissions reported on an individual basis and as a combined total to account for less than 2% of the total Melrose Group GHG emissions reported.

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.

5 Supply chain assurance

Each of the businesses 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.

6 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/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, in advance of the need for the Company to report in accordance with the Modern Slavery Act 2015, the Group is taking steps to put in place effective and proportionate procedures to ensure that there are no forms of modern slavery in the Group's business or supply chains. It is expected that a full statement will be prepared and published on the Group's website during the current financial year.

The Strategic Report, as set out on pages 02 to 53, has been approved by the Board
On behalf of the Board



Simon Peckham
Chief Executive
2 March 2017