



SUPPLY CHAIN POLICY

1. INTRODUCTION

- 1.1 Melrose Industries PLC and its Business Lines (comprising the GKN Aerospace Engines and Structures businesses) (“**Melrose**”, “**Company**”, “**Group**” or “**we**”) are committed to improving its business for the good of shareholders, the environment and other stakeholders.
- 1.2 This policy underpins our expectations of our businesses’ suppliers, including contractors, vendors, service providers and their employees. These expectations are not replacements or substitutes for their own codes of conduct or applicable laws, nor do they amend contracted obligations. At a minimum, we expect suppliers to comply with all relevant laws while respecting our social and environmental commitments.
- 1.3 We aspire to be sustainable in our operations and supply chain and expect our suppliers to do the same, conducting themselves with environmental and social responsibility, and focusing on innovation and quality excellence in their delivery. All suppliers to the Group are expected to act in accordance with this policy.
- 1.4 We set ourselves robust and ambitious sustainability targets and commitments. While the targets we set are Melrose’s responsibility, we work with our suppliers to reduce environmental impact across our value chain and create positive social impact.
- 1.5 We have processes in place to ensure appropriate engagement of supply chain for the sourcing, selection, contracting and purchasing activities to ensure they comply with the relevant legislation and regulation.
- 1.6 Throughout the Group we seek to establish a “culture” of compliance with this policy.

2. WHO IS COVERED BY THIS POLICY?

- 2.1 This policy applies to all individuals working at all levels throughout the Group, including senior managers, officers, directors, employees (whether permanent, fixed-term, or temporary), contractors, trainees, casual workers/agency staff, volunteers, or any other person working for the Group throughout the world.
- 2.2 We drive and encourage our suppliers to respect and adhere to the principles stipulated in this policy.

3. POLICY STATEMENT: ENVIRONMENTAL

- 3.1 This policy sets out our commitment to respect and protect the environment, and we expect and encourage our suppliers to follow this commitment, in compliance with the applicable international, national, and local environmental legislation relating to energy use, waste, emissions, water and resource consumption and management.
- 3.2 For all our suppliers, we have minimum standards in the following environmental areas:
 - 3.3.1 Energy Use
We manage our energy use by implementing energy efficiency measures and reducing energy consumption where possible and we expect our suppliers to do the same.

To this end, we will promote energy efficiency and renewable energy initiatives in our own activities, and those of our suppliers where possible.

3.3.2 Climate Change

Melrose recognises the serious threat posed by climate change to our operations and supply chains. To achieve our Net Zero ambition, we and our suppliers need to decarbonise and reduce emissions. We take proactive action to minimise our impact on climate change considering the entire supply chain in our activities and we expect our suppliers to do the same.

3.3.3 Water Stewardship

As a Group, we are committed to reducing water withdrawal. We recognise the importance of conserving water and realise that our business may have water intense supply chains and exposure to water-stressed areas in its operations. We regularly monitor and assess our business's water risks and opportunities and their potential impact in the short, medium, and long term.

Melrose expects its suppliers to understand their impact on water and manage their water usage appropriately in line with the correct water stewardship practices. We also follow the principles of our Group Water policy in our engagement with suppliers.

3.3.4 Environmental Issues

Environmental issues are issues that cause damage to the environment from human activity, which have negative short or long-term consequences to the health of the planet. We seek to avoid causing environmental harm such as land and water pollution, poor air quality, deforestation, land degradation and natural resource depletion and look to mitigate these issues where possible and we expect our suppliers to do the same. We are committed to deepening our communication with suppliers and to assessing their compliance with environmental guidelines and local environmental regulations where applicable.

3.3.5 Biodiversity

Melrose seeks to reduce its environmental impact, including through mechanisms which help to avoid any damage to local biodiversity and ensure that its operations and business activities do not contribute to deforestation. We evaluate the potential risk of environmental pollution from our operations, including the working area of our direct suppliers, and expect suppliers to share our commitment to biodiversity protection. We also follow the principles of our Group Biodiversity policy in our engagement with suppliers.

3.3.6 Waste and Resource Use

We manage resources such as metals and plastics appropriately and reduce waste going to landfill by implementing recycling and other waste reduction initiatives. We encourage our suppliers to do the same and, where possible, we also encourage the use of resources that are either recycled or can be recycled easily across our business's supply chains. Suppliers should seek to eliminate unnecessary packaging, and where feasible, take it back for re-use.

3.3.7 How the Company engages with suppliers to improve energy performance and reduce carbon footprint

Melrose has a set of environmental targets and a Net Zero ambition that encompasses our value chain emissions. Although the achievement of our Group emissions targets is Melrose's responsibility, we must work with our suppliers in order to reduce our scope 3 emissions

footprint. We will engage with suppliers to ensure they are managing their emissions in the most effective way, and where required, provide training and guide their efforts towards Net Zero. We therefore expect our business's suppliers to support any requests for data on GHG emissions or energy consumption relevant to the products and services they provide to our business.

4 POLICY STATEMENT: SOCIAL

4.1 It is important to Melrose to promote diversity, prioritise and nurture the wellbeing and skills development of employees and the communities that they are part of. We take our social responsibilities towards our employees and society seriously and engage with our suppliers to encourage them to do the same. As a Group, we are committed to respecting human rights in accordance with international human rights principles including the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights and The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and expect our suppliers to respect all labour and human rights through their value chains including at a minimum, those expressed in these documents.

4.2 We hold our suppliers to standards in the following social areas:

4.2.1 Health and Safety

We work to understand and take into consideration national and international health and safety laws and regulations and seek to continuously minimise health and safety risks and improve working conditions through means such as certified health and safety management systems.

We expect our suppliers to provide a safe and healthy workplace environment and encourage them to understand and mitigate any health and safety related risks in their activities to prevent accidents and injury in the course of work.

4.2.2 Minimum Living Wage

All terms of employment, including but not limited to, wages and benefits shall at minimum meet the local legal requirements. Workers should be paid on time, as per their employment terms. We also expect our suppliers to pay their UK employees the national living wage.

4.2.3 Diversity, Inclusion and Non-discrimination

We expect our suppliers to eliminate illegal and unfair discrimination in hiring, compensation and training relating to gender, race including ethnicity, country of origin, nationality, colour, social and cultural background, religion, family responsibilities (including pregnancy), sexual orientation, age, disability. No worker should be subject to any form of abuse, corporal punishment or disciplinary practices such as physical, sexual or verbal harassment. Suppliers are also encouraged to promote diversity in the workplace and create an environment where individuals are respected at work and are provided equal opportunities.

4.2.4 Maximum Working Hours

We expect our suppliers to respect national legislation and industry referenced standards on maximum working hours.

4.2.5 Child Labour and Modern Slavery – including elimination of trafficked, forced, bonded labour

We expect our suppliers to have practices in place that prohibit the recruitment of child labour and use of forced, bonded, or trafficked labour. They should also have appropriate mechanisms to evaluate and address risks of modern slavery and trafficking. Our Modern Slavery Statement and Anti-Slavery and Human Trafficking policy available on our website sets out in more detail our

commitment to ensuring there is transparency in the Group's own business and in its approach to tackling modern slavery throughout its supply chains.

4.2.6 Consideration of suppliers' social performance during procurement

Social issues such as diversity, human rights and equal opportunities are one of Melrose's key overarching sustainability principles. For existing and new suppliers, we monitor any companies that may be in areas of high risk of human rights abuse.

4.2.7 Anti-Bribery and Corruption

We expect our suppliers to have practices in place to ensure (a) they act professionally and with integrity; (b) the prevention, detection and reporting of bribery and other forms of corruption; and (c) the avoidance of any activity that might constitute, lead to, or suggest bribery and/or corruption activities. Our Anti-Bribery and Corruption policy is available on our website and sets out in more detail our commitment in this area, and our expectations of our suppliers.

5 RESPONSIBILITY FOR THE SUCCESS OF THE POLICY

- 5.1 This policy forms part of our group compliance policies, which fall under the overall responsibility of the board of directors of Melrose Industries PLC.
- 5.2 The executive team of each Business Line takes responsibility for ensuring effective transmission of this policy throughout the business, together with the provision of relevant guidance and training, and appropriate safeguards, monitoring, and resources, in order to ensure compliance with this policy.
- 5.3 All staff should be aware of and are responsible for the success of this policy and should ensure that they take steps to support it.