

DEED OF COVENANT AND UNDERTAKING

This DEED is dated 27 April 2018

This DEED is executed in accordance with the requirements of section 44 of the Companies Act 2006 by MELROSE INDUSTRIES PLC incorporated and registered in England and Wales with company number 09800044 whose registered office is at 11th Floor, Colmore Plaza, 20 Colmore Plaza Circus Queensway, Birmingham, B4 6AT, United Kingdom (Melrose).

BACKGROUND

(A) Melrose is an LSE listed group with interests in the manufacturing and engineering sectors; for the purposes of this Deed all references to Melrose include references to the Melrose group as appropriate.

(B) GKN PLC (GKN) is a company incorporated and registered in England and Wales with company number 04191106 whose registered office is at PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, B98 0TL, United Kingdom. GKN provides technology-based, highly engineered products to manufacturers of light vehicles, agricultural and construction equipment and aircraft and aero engines. It operates in the Aerospace, Driveline (Automotive) and Powder Metallurgy markets.

(C) On 17 January Melrose launched an offer to acquire the shares of GKN in exchange for the issue of new Melrose shares and cash. Following completion of the purchase, it is anticipated that GKN, which will then be a subsidiary of Melrose, will be re-registered as a private limited company.

(D) The commitments offered in this deed of covenant and undertaking shall be effective from the date of completion of the purchase.

TERMS

Interpretation

1. In this deed:

- a) "Business Unit" means any component, subsidiary or business of the GKN Group, comprising assets and Restricted Information relating to the production of Controlled Items or delivery of obligations as a Government Contractor or notified to Melrose in accordance with clause 17;
- b) "Controlled Items" means all military and/or dual-use goods, software, technology and technical data which are subject to Export Control regulations;
- c) "Group" means: (i) in relation to GKN, GKN and any subsidiary from time to time of GKN, including subsidiaries created after the date of completion of the purchase; and (ii) in respect of any other company, that company, any subsidiary from time to time of that company, any holding company from time to time of that company and any subsidiary from time to time of any such holding company. A reference to a

holding company or a subsidiary means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006;

- d) "Government Contractor" means a government contractor within the meaning of section 12 of the Official Secrets Act 1989 which:
- i. provides, or is employed in the provision of, goods or services relating to any Controlled Item; ii. provides, or is employed in the provision of, goods or services covered under any Security Aspects Arrangement; or iii. has been notified by or on behalf of the SoS of information, documents or other articles relating to defence and of a confidential nature which the government contractor or an employee of his may hold or receive in connection with being such a contractor (and whose notification has not been revoked by or on behalf of the SoS),

and includes any sub-contractor of any such government contractor, and any other subcontractor in a chain which begins with the government contractor;

- e) "Intellectual Property Rights" means patents, utility models, rights to inventions, copyright and neighbouring and related rights, moral rights, trademarks and service marks, business names and domain names, rights in get-up and trade dress, goodwill and the right to sue for passing off or unfair competition, rights in designs, rights in computer software, database rights, rights to use (and protect the confidentiality of) confidential information (including know-how and trade secrets), and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world;
- f) "Potential Purchaser" means any party, individual, company, group or consortium interested in the purchase of a Business Unit;
- g) "Restricted Information" means any Controlled Items (including any parts, data or information relating thereto) held or otherwise accessible by the Melrose group, its employees, officers, associates, agents or anyone directly connected with or involved in the business of GKN;
- h) "Significant Influence or Control" has the same meaning as set out under Schedule 1A to the Companies Act 2006 and in the guidance issued under paragraph 24(5) of Schedule 1A to that Act;
- i) "SoS" means the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland;
- j) "Security Aspects Arrangements" means contractual arrangements which incorporate DEFCON 659/A – Security Measures or any specific, enhanced contractual arrangements which concern classified assets or information, and Security Requirements for List X Contractors V10.0 or any updated version published by the UK Cabinet Office.

UNDERTAKINGS Business sales or transfers

2. In connection with the potential sale or transfer of all or part of any Business Unit of GKN Melrose will notify the SoS as soon as is reasonably practicable and, in any event, within five business days of the earlier of:

- 2.1. Any decision to commence a sale or transfer process;
- 2.2. Receipt of a binding offer to acquire all or part of any Business Unit; or
- 2.3. Provision of due diligence material to any potential purchaser;

3. Melrose undertakes to provide the details of the assets and activities of all or part of any Business Unit to be offered for sale or transfer and to specify, in particular:

- 3.1. Any activities which concern Controlled Items.
- 3.2. The UK revenues derived from all or part of the Business Unit.
- 3.3. Any activity in which all or part of the Business Unit to be offered for sale or transfer is acting as a Government Contractor.
- 3.4. Any Restricted Information held by all or part of the relevant Business Unit to be offered for sale or transfer.
- 3.5. Any Security Aspects Arrangements that are in place in relation to the activities of all or part of the Business Unit to be offered for sale or transfer.

4. Within 20 working days of receipt of the notification required by clause 2 the SoS will notify Melrose whether all or part of the Business Unit to be offered for sale or transfer is a 'business of interest'.

5. Where Melrose has received a notification in accordance with clause 4 that all or part of any Business Unit to be offered for sale or transfer is a 'business of interest' Melrose undertakes to make reasonable endeavours to procure and provide to the SoS the following information:

- 5.1. The name, company number and place of incorporation of each Potential Purchaser;
- 5.2. The company structure and office holders of each Potential Purchaser;
- 5.3. Where the Potential Purchaser is a consortium, details as to all members of the consortium, the structure of the consortium, decision-making arrangements of the consortium, and structure and office holders of each member of the consortium;
- 5.4. Details of any people with Significant Influence or Control over the Potential Purchaser or where the Potential Purchaser is a consortium any people with Significant Influence or Control over all members of the consortium.
- 5.5. Details of the long term ownership and investment plans of each Potential Purchaser.

6. Melrose undertakes that it will not dispose of a 'business of interest' without the consent of the SoS (such consent to be refused by the SoS (acting reasonably) only on the grounds of legitimate national security interests and only if any concerns as to national security cannot otherwise be adequately addressed to the satisfaction of the SoS).

7. Subject to the consent of the SoS referred to in clause 6, in the event that a Potential Purchaser wishes to proceed with arrangements which will result in the acquisition of all or part of the Business Unit, Melrose undertakes to use best endeavours to procure an arrangement, deed of undertaking or other form of binding agreement between the Potential Purchaser and the SoS which will ensure suitable protections are in place for the continued protection of government Intellectual Property Rights, capacity which concerns the Business Unit's operation as a Government Contractor, the production or supply of Controlled Items and arrangements which involve the handling or Restricted Information or material subject to Security Aspects Arrangements.

Protection of information

8. Melrose recognises GKN may have contractual obligations permitting the use of government Intellectual Property Rights and may be subject to Security Aspects Arrangements. Melrose undertakes to ensure that each Business Unit (for so long as Melrose owns such Business Unit) will continue to meet any such obligations existing from time to time concerning the protection of information.

Maintenance of capacity

9. Melrose undertakes to ensure that each Business Unit (for so long as Melrose owns such Business Unit) will continue to meet any contractual obligations concerning operations as a Government Contractor and the production of Controlled Items.

10. Melrose undertakes not to reduce any GKN capacity which concerns operation as a Government Contractor, the production or supply of Controlled Items or involves the handling of Restricted Information or material subject to Security Aspects Arrangements.

11. Melrose undertakes not to restructure GKN capacity which concerns operation as a Government Contractor, the production or supply of Controlled Items or involves the handling of Restricted Information or material subject to Security Aspects Arrangements, in a way that would result in some, or all of the relevant activities being undertaken outside of the UK, or moved from one location outside of the UK to another location outside of the UK, without notifying the SoS as soon as is reasonably practicable and, in any event, at least 3 months prior to any such restructuring.

12. Where Melrose notifies the SoS of a proposal of the type described in clause 11 the SoS may issue a notice of concern over the proposal under this clause.

13. Where the SoS issues a notice of concern over a proposal in accordance with clause 12 Melrose and representatives of the SoS shall then meet to discuss and agree in good faith all amendments to the proposal necessary to ensure the protection of the production or supply of Controlled Items or the handling of Restricted Information or material subject to Security Aspects Arrangements to the satisfaction of the SoS.

Access to Information and compliance meetings

14. Melrose will provide the SoS with such information as it may from time to time reasonably require to ascertain that they are fulfilling the obligations contained in this deed. If Melrose is unable to comply with any of the obligations contained in this deed, or becomes aware of any noncompliance, Melrose will: notify the SoS immediately; provide to the SoS full reasons for the inability to comply or the non-compliance within 1 month of becoming aware thereof; and remedy any non-compliance without delay.

15. In addition to any information provided by Melrose to the SoS under clause 14, Melrose undertakes that senior representatives will meet the SoS's officials every 6 months (on dates to be fixed by the SoS's officials) to discuss and check compliance with the terms of this deed. Following each such meeting, Melrose undertakes that it will take appropriate action without delay to remedy any issues of non-compliance which have been raised in the meeting.

16. For the purpose of checking compliance with any Security Aspects Arrangements, representatives of the SoS shall be entitled to enter and inspect any premises used by the GKN group which are in any way connected with operations as a Government Contractor or the production or supply of Controlled Items, and inspect any document or thing in any such premises which is concerned with such Security Aspects Arrangement, whether the visit is announced or unannounced. Such representatives shall be entitled to access to all such information as they may reasonably require and may remove from any premises any material that is being used or stored in breach of the relevant Security Aspects Arrangements.

General

17. Melrose acknowledges that the SoS may identify a component, subsidiary or business of the GKN Group which does not comprise of assets or Restricted Information relating to the production of Controlled Items or delivery of obligations as a Government Contractor but which engages in activities which may have national security implications. Where the SoS identifies such a component, subsidiary or business the SoS will inform Melrose and give Melrose a reasonable opportunity to provide information and views and engage in discussions as to whether the component, subsidiary or business can reasonably be considered to be engaging in activities which have national security implications. Where, having considered any information or views offered by Melrose, the SoS is of the view that the component, subsidiary or business of the GKN Group is engaging in activities which have national security implications the SoS will notify Melrose that that component, subsidiary or business is a Business Unit for the purposes of this deed.

18. Melrose acknowledges that this deed of undertaking does not operate in any way to preclude or restrict the exercise of any statutory powers available to Her Majesty's Government.

19. Save where the SoS determines to place this deed in the public domain (in which case he shall inform Melrose of the fact as soon as he reasonably can thereafter) Melrose undertakes to ensure that this deed and its contents remain confidential and will not be disclosed except to the company officers, staff, advisers, and agents necessary to give effect to the obligations it contains. No disclosure of information shall be made by virtue of this clause unless the making of the disclosure is proportionate to the object of the disclosure and no disclosure will be made without

ensuring that the individual to whom the disclosure is made is aware of the confidential nature of the information. Nothing in this clause prevents the disclosure where required under any enactment, by any rule of law, regulation or by the order of a court, or where permitted by the prior written approval of the SoS.

20. Melrose shall, and shall use its reasonable endeavours to procure that any necessary third party shall, promptly execute and deliver such documents and perform such acts as may be required for the purpose of giving full effect to this deed.

21. Without prejudice to any other rights or remedies that SoS may have Melrose acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of this deed by Melrose. Accordingly, Melrose agrees that the SoS shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this deed. If any such remedies are sought in relation to any threatened or actual breach of the terms of this deed, Melrose waives any rights it may have to oppose such remedies on the grounds that damages would be an adequate alternative. No proof of special damages shall be necessary for the enforcement of this deed.

22. This deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

23. Melrose irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this deed or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and takes effect on the dates stated at the beginning of it.

EXECUTED and DELIVERED as a



DEED by MELROSE INDUSTRIES PLC

acting by a director in the presence of:

Signature of witness:

Name of witness

Address of Witness:



JONATHAN CRAWFORD
LECONFIELD HOUSE
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LONDON W1J 5TA