# Sustainability Accounting Standards Board ("SASB")[1] index for 2022

The following tables detail our disclosures made against the SASB Aerospace and Defence and Auto Parts sector standards[2], with topics identified as being most relevant to the sectors in which our businesses operate. All data and descriptions are for Melrose Industries PLC on a consolidated basis for continuing businesses and not solely the business unit(s) within the Group that are relevant to the Aerospace and Defence and Auto Parts sectors. The tables are structured by topic to take into account that some disclosure and indicator requirements appear in more than one SASB sector.

By reporting in line with the SASB standards, we are providing our investors and other stakeholders with comparable, consistent, and reliable data on financially material sustainability factors which directly impact our long-term enterprise value.

**Table 1a: Aerospace and Defence & Auto Parts standard – accounting metrics**

| Topic | Metric | Response | SASB Code |
|---|---|---|---|
| **Energy management** | Total energy consumed | 9,458,143 Gigajoules (GJ) | RT-AE-130a.1 |
| | Percentage grid electricity | 68% | TR-AP-130a.1 |
| **Hazardous waste management** | Amount of hazardous waste generated | Please refer to page 38 | RT-AE-150a.1 |
| **Waste management** | Total amount of waste from manufacturing | Please refer to page 38 | TR-AP-150a.1 |
| | Percentage hazardous | 4% | |
| | Percentage recycled | 88% | |
| **Data security** | Description of approach to identifying and addressing data security risks in (1) Company operations and (2) products | 1) Information security and cyber threats continue to be an increasing priority across all industries globally, and Melrose recognises that the Group must be protected from potential exposures, particularly in light of the scale, reach, complexity and public-facing nature of cyber attacks, and the potential sensitivity of data held in relation to civil aerospace technology and controlled defence contracts. As a principal risk, information security and cyber is addressed through the Group's risk management framework. Management processes to address these risks include among other measures employee training and incident and vulnerability detection and response, and a security champions network ensuring compliance and risk assessment at sites. GKN Aerospace runs a digital security programme which provides policies and procedures governing the business's operations and approach to safeguarding data and information systems. It is endorsed by GKN Aerospace's CEO and CIO who oversee the cyber security and data protection programme, and seeks to both reduce risk and minimise the effect of potential incidents. It includes employee screening, supplier and vendor checks, third-party penetration testing and 24/7 security operating centre service to detect, analyse and respond from alerts to incident response based on the security monitoring tools deployed.<br>2) n/a | RT-AE-230a.2 |
| **Product safety** | Number of counterfeit parts detected | 0[3] | RT-AE-250a.1 |
| | Percentage of counterfeit parts avoided | n/a as no counterfeit parts were detected or avoided[3] | RT-AE-250a.2 |
| **Fuel economy & emissions in use-phase** | Revenue from alternative energy-related products | £1,064,185,316[4] | RT-AE-410a.1 |
| | Description of approach and discussion of strategy to address fuel economy and Greenhouse gas ("GHG") emissions of products | GKN Aerospace collaborates with its partners to develop a clear and aligned roadmap towards the aviation sector's goal of Net Zero by 2050. The areas of collaboration include replenishment and operational optimisation of existing fleets with the very latest and most efficient products, planned new aircraft and engine designs to further improve efficiency and reduce emissions, the introduction of sustainable aviation fuels to reduce the amount of $CO_2$ emissions from fossil fuels entering the environment and the development of brand new zero emission technology. GKN Aerospace has optimised its internal R&D plans to maximise its value contribution across this wide scope, stepping beyond its immediate capabilities to also explore new zero emission technologies. The strong collaboration culture fostered by GKN Aerospace has generated valuable links to significant ecosystems of research centres, universities and partners. Its R&D portfolio embraces industry-leading capabilities that exist in those ecosystems, often leading in government-funded programmes such as the H2GEAR hydrogen electric propulsion programme.<br>GKN Automotive's continued investment in and focus on electric motors has transformed it into a market leader in highly efficient AWD and eDrive systems, enabling its customers to improve fuel efficiency and reduce their carbon emissions. Its Disconnect AWD technology helps to reduce the related $CO_2$ emissions by up to 80% compared with conventional AWDs. In addition, the new generation AWD components are 30% more efficient and 20% lighter than previous generations and are made from 98% recyclable materials. Product durability has increased by 25%, now achieving more than 320,000 kilometres, which means that with less material embedded in and energy required for the product manufacturing, it will last longer, contributing to reduction of its ultimate environmental impact. GKN Automotive's new Generation 3-in-1 eDrive system, in turn, is a highly-integrated technology with significantly more power at less weight and smaller packaging, designed for future plug-in hybrid or battery powered EVs. Following advanced analysis and development, the system's power density has been increased by 25% while the amount of expensive materials like copper and rare earth magnets has been reduced at the same time. At GKN Automotive's Innovation Centre in Abingdon, UK, the business continues to make progress on EV technologies. Launched in December 2021 to help develop the next-generation eDrive technologies to power future EVs and increase engineering capability in the UK, it plays an instrumental role to help meet the Government's net zero commitment. To support the business's medium and long-term strategy in this area, GKN Automotive is partnering with research teams in the engineering departments at the University of Nottingham and Newcastle University, operating collaboratively with engineers at the UK Innovation Centre. Please see page 48 for further details. | RT-AE-410a.2 |
| **Design for fuel Efficiency** | Revenue from products designed to increase fuel efficiency and/or reduce emissions | £1,812,681,731[4] | TR-AP-410a.1 |
| **Materials efficiency** | Percentage of products sold that are recyclable | 66%[5] | TR-AP-440b.1 |
| | Percentage of input materials from recycled or remanufactured content | 55%[6] | TR-AP-440b.2 |

(1) Now part of the International Financial Reporting Standards ("IFRS") Foundation.
(2) Data coverage for the GKN Aerospace and GKN Automotive businesses only.
(3) Data coverage for the Group is 100% (by revenue).
(4) Data coverage for the Group is 87% (by revenue).
(5) Per the SASB standards, the scope of disclosure is limited to products that are automotive parts, components, and materials.
(6) Data coverage for the Group is 61% (by revenue).

# Sustainability Report Annex
Continued

| Topic | Metric | Response | SASB Code |
|---|---|---|---|
| **Materials sourcing** | Description of the management of risks associated with the use of critical materials | The management of risks associated with the use of critical materials is an essential element of responsible sourcing for the Group. A critical material is defined as a material that is essential in use for the manufacture of our products but also subject to the risk of supply restriction. Critical materials, such as cobalt and lithium, are typically used in metal alloy products associated with clean energy technologies such as batteries, fuel cells and wiring. These technologies are key components in many of the products produced by GKN Aerospace and GKN Automotive that are required for the transition to zero emissions transport. It is acknowledged that deeper focus is required to ensure the robustness of business supply chains in relation to these materials, and appropriate mitigation procedures are in place to combat any price increases. Strategic measures put in place to mitigate physical and economic risks by GKN Aerospace involve diversification of potential suppliers, development of alternative solutions and materials and the use of circularity in design for increased recycling, recovery and reuse. The strategic approach taken by GKN Automotive to manage risks associated with the use of critical materials includes working closely with suppliers to understand potential risks to supply in advance and having multi-year agreements with suppliers inclusive of capacity allocations. Please see page 41 for further details. | RT-AE-440a.1 |
| **Business ethics** | Discussion of processes to manage business ethics risks throughout the value chain | Sound business ethics and integrity are core to the Group's values and are fundamental for the success of our strategy. The high standards of financial and non-financial controls, and strong governance backed by internal and where required, external review of financial and non-financial compliance, are enforced throughout the Group. Directors, officers, employees, and contractors throughout the Group, whether permanent or temporary, and in respect of any entities over which Melrose has effective control, must comply with Melrose's Group Code of Ethics and compliance policies, which reflects current best practice and strong corporate citizenship. The Group Code of Ethics and compliance policies have been approved by the Board and include policies covering best practice with respect to anti-bribery and corruption, anti-money laundering, anti-facilitation of tax evasion, competition, conflict minerals, trade compliance, data privacy, whistleblowing, treasury and financial controls, document retention, anti-slavery and human trafficking, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water. | RT-AE-510a.3 |

**Table 1b: Aerospace and Defence and Auto Parts standard – activity metrics**

| Activity Metric | Response | SASB Code |
|---|---|---|
| Number of employees | Please refer to page 43. | RT-AE-000.B |

# About this Report

## Reporting standards

This report has been prepared with reference to the following frameworks, standards and guidelines:

- Group sustainability targets and commitments have been aligned to the United Nations Sustainability Development Goals ("UN SDGs").
- Additional disclosure on our sustainability performance has been prepared in line with the Sustainability Accounting Standards Board ("SASB") requirements for Aerospace and Defence and Auto Parts sector standards.
- Energy and emissions reporting has been prepared in accordance with the principles and requirements of the Greenhouse Gas ("GHG") Protocol Revised Edition, ISO 14064 Part 1 and the Environmental Reporting Guidelines, including the Streamlined Energy and Carbon Reporting guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol.

## Reporting boundaries, scope and basis of preparation

Unless otherwise stated, our sustainability reporting covers all entities in which the Group holds an interest of 50% or more. Data from entities acquired or disposed of during the reporting period (i.e. disposed of before 31 December 2022 or acquired on or after 1 January 2022) are not accounted for in this section in respect of the FY 2022 data. In line with our "Buy, Improve, Sell" business model, the consolidated Group data contained in this Report can often show significant year-on-year changes reflecting the dynamic nature of the Group composition, which may not represent the underlying performance of each individual business within the Group.

## Internal data controls

All reported figures represent the latest available internal data, unless otherwise specified. Some of the totals presented may reflect the rounding down or up of subtotals. Melrose has a central internal reporting system which captures and records the ESG data alongside financial and operational metrics, used in this report. All data is subject to quarterly internal reviews by subject matter experts at the business and Group levels.



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