



SUSTAINABLE PARTNER IN THE SKY

MELROSE INDUSTRIES PLC
SUSTAINABILITY REPORT 2023





MELROSE IS A WORLD-CLASS, GLOBAL AEROSPACE GROUP, LISTED IN THE UK.

Through our business, GKN Aerospace, we are a multi-technology manufacturer of airframe and engine structures for the global aerospace industry, across both civil and defence platforms.

Driven by our purpose to be the most trusted and sustainable partner in the sky, we are focused on improving our technology toward a zero emission flight future, whilst ensuring our own operational sustainability and efficiency, and resilience of our supply chain.

OTHER READING

This Sustainability Report should be read in conjunction with our 2023 Annual Report, the 2023 Transition Plan, and climate disclosures within our TCFD and CFD reports.

For more information,
go to melroseplc.net



To read our 2023 Annual
Report, visit melroseplc.net



To read our 2023 Transition
Plan, visit melroseplc.net



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ENVIRONMENTAL

Read about our strategy and actions towards respecting and protecting the environment, and investing in development products and services aligned with a Net Zero future

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Read about our efforts to prioritise health and safety, promote diversity and nurture the wellbeing and skills development of employees, and support the communities that they are part of

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GOVERNANCE

Read about our commitment to robust governance, risk management and compliance

→ **Governance**
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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 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 has operational control. Data from entities disposed of during the reporting period (i.e. disposed of before 31 December 2023) are not accounted for in this section in respect of the FY 2023 data and all previous years.

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 a business line level.

CEO'S STATEMENT



GKN Aerospace is a global Tier 1 producer of aerostructures, engine systems and special products that improve the performance of more than 100,000 flights every day. We have market-leading positions driven by technological innovation, advanced processes and engineering excellence that help aircraft fly safely, further and more sustainably."

It was a transformational year for Melrose in 2023. Following the demerger of its automotive related assets, the Group has evolved into a pureplay aerospace business. The successful legacy Melrose business model of buying underperforming industrial businesses and improving them ahead of disposal, has also now evolved into our vision of building an advantaged aerospace technology business for the long term. The foundation is our GKN Aerospace business which we believe is well positioned to deliver value for all stakeholders in the years ahead, while also playing an important role in the sustainable future of flight.

GKN Aerospace is a global Tier 1 producer of aerostructures, engine systems and special products improving the performance of more than 100,000 flights every day, we have market-leading positions driven by technological innovation, advanced processes and engineering excellence that help aircraft fly safely, further and more sustainably. GKN Aerospace's operational excellence, high-volume production capabilities and pioneering work on digitalisation and automation, enable shorter production lead times, improvements in efficiency and more affordability for its global customers.

In this sustainability report, we share key updates on our evolved Group sustainability strategy, performance in the last year and our outlook for 2024. Our focus and the goals we have set ourselves are balanced between reducing the direct impact of our business on the environment – through tackling our emissions and our consumption of natural resources – and the huge potential of our technologies and products to enable aviation's route to net zero.

Resetting the foundations for our sustainability strategy

Following excellent progress towards the goals set out within our strategy, we have extended our ambitions for 2025 to reflect Melrose's new focus as a pureplay aerospace business. This is fully aligned with GKN Aerospace's mission to be "the most trusted and sustainable partner in the sky". In parallel, we have developed a refreshed framework of material topics which will be used to inform Melrose's go-forward strategy, building on our progress to date, whilst also responding to the most critical societal and environmental needs for the benefit of all stakeholders.

New double materiality assessment

In 2023, we conducted our first double materiality assessment to inform an in-depth view of our material sustainability topics and their impact on both society and the environment, as well as on our financial health and resilience as an aerospace company. Our priority material topics are Product Safety and Quality, Climate Change: mitigation and adaptation, R&D for sustainable aviation, and Business integrity. This analysis acts as an important reminder of the continued importance of each of these topics and it will help focus our efforts and investments towards the most pressing and relevant areas for the GKN Aerospace business – in terms of a more sustainable path for our business and for the aerospace sector as a whole.

Refreshed sustainability and climate change governance

To ensure the smooth integration of Melrose Group and GKN Aerospace's sustainability functions, we have refreshed our sustainability governance framework. This will ensure that the sustainability issues we face are incorporated into the corporate agenda and the corporate governance structure throughout the Group. Our approach extends from Board-level committees to management-level Group functions and business units.

Formalising our strategy to enable the energy transition

In 2023, we have also updated our Net Zero Transition Plan. This reflects our ongoing dedication to reducing our carbon footprint, the roadmap for achieving our emissions reduction targets, and promoting sustainable practices throughout our operations and supply chain. As part of our commitment to contribute to tackling climate change within the aerospace sector, GKN Aerospace has submitted its emissions reduction targets to the Science-Based Targets initiative ("SBTi"), with the expected validation in the coming months. As a Group, we also remain committed to transparency and accountability in climate-related disclosures in line with the Task Force on Climate-related Financial Disclosures ("TCFD"). We are now in our third year of climate scenario assessments and related risks and opportunities, now focused on our Aerospace business only.

Our shift to a long-term aerospace Group has refocused our investment and efforts to the specific challenges and opportunities that face the sector. We look forward to building on the great work already underway within GKN Aerospace, with the enhanced application of Melrose's investment in financial and operational improvement, for the benefit of all stakeholders.

Peter Dilnot
Chief Executive Officer

AT A GLANCE

OUR COMPETITIVE STRENGTHS

Aerospace expertise

With our technology leadership, OEM-heritage and global manufacturing capability, we are the world's leading multi-technology Tier 1 business across civil and defence aerospace.

90 yrs

Customer partnerships of up to 90 years

Global partner with market-leading positions

Our differentiated, high-quality products give us established positions on all of today's high-volume aircraft, across all major OEMs, and positions us strongly for future platforms.

100,000

Technology on-board 100,000 flights a day

Investment for growth

We invest in our people, in R&D and in sustainable production to build excellence and generate long-term growth across our businesses.

c.£150m

Investment in climate-related technology since 2020⁽¹⁾

(1) Excluding investments made into climate-related R&D programmes within businesses that are no longer part of the Group.

OUR TWO AEROSPACE DIVISIONS



GKN ENGINES

We support our customers in delivering world-leading, sustainable propulsion solutions. Our innovative engine systems offer improvements in performance and fuel consumption.

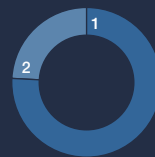
Customers

Engine OEMs

Technology

Structural engineered components; parts repair; commercial and aftermarket contracts

End market



1	Civil	76%
2	Defence	24%

2023 revenue

£1.2bn

2023 operating profit

£310m



GKN STRUCTURES

We manufacture fuselages, empennages, nacelles and wing component solutions using, lightweight technology – creating the next-generation of industry-leading aircraft.

Airframe OEMs

Lightweight composite and metallic structures; electrical distribution systems and components



1	Civil	69%
2	Defence	31%

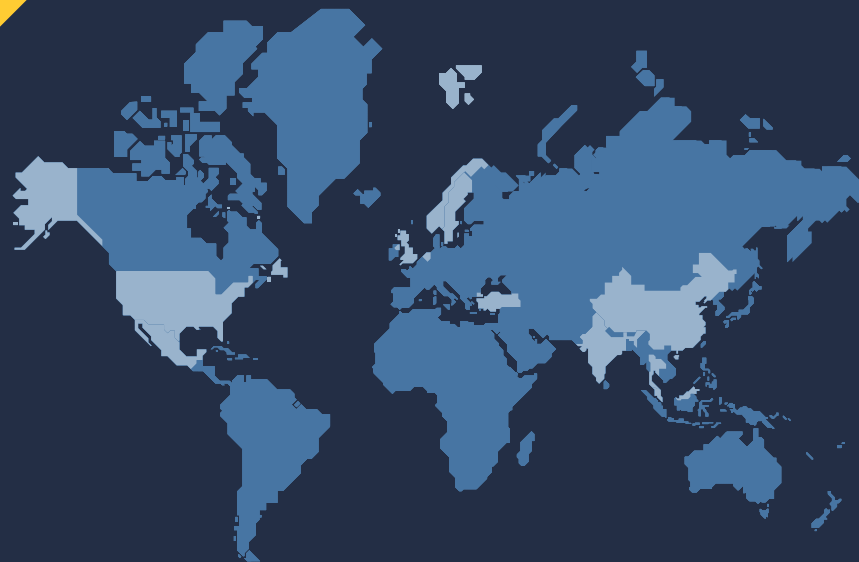
2023 revenue

£2.15bn

2023 operating profit

£110m

OUR GLOBAL PRESENCE



MELROSE IN NUMBERS

33

Manufacturing sites

4

Technology & Innovation centres

3

Engine repair centres of excellence

12

Countries of operation

2023 SUSTAINABILITY HIGHLIGHTS

PERFORMANCE AGAINST MELROSE'S EXISTING SHORT-TERM SUSTAINABILITY TARGETS AND COMMITMENTS

During 2023, the Group demonstrated solid performance and strong dedication to deliver on our targets and standing commitments initially introduced in 2021. Having achieved most of our short-term and interim targets in 2023, we have reset those sustainability targets for achievement in 2025 to more ambitious levels (see pages 9 to 12). Our medium and long-term targets will be reviewed over the coming years to incorporate the results of our double materiality assessment, and to fully align with changes in regulatory expectations and our strategic priorities to tackle climate change and other environmental challenges, build stronger communities and a more diverse workforce, as well as to further embed sustainability across our governance systems. Our performance against the Melrose Group existing sustainability targets is depicted to the right. ESG data across our selected KPIs over the last years has been restated to only include Melrose and GKN Aerospace performance.

- (1) The Group's chosen intensity ratio is energy consumption, emissions and water withdrawal reported above normalised megawatts usage ("MWh"), tonnes of CO₂e, or m³ per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.
- (2) Market-based method has been used for calculating Scope 2 emissions.
- (3) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.
- (4) Where permitted by local laws and employee representative bodies.
- (5) Investment distributed in line with the public commitment of the Melrose Skills Fund to build the UK's industrial base and support the creation of 100-150 UK apprenticeships over five years.

SDG & Sustainability Principle	Measure	Target	Baseline year	2023 performance	Target maturity	Progress against target	
 Respect and protect the environment	Reduce Scope 1 and 2 GHG emissions intensity ⁽¹⁾	20%	2020	38% ⁽²⁾	2025	Achieved	
	Source global electricity from renewable sources ⁽³⁾	50%	2020	34.4%	2025	On track	
	Divert solid non-hazardous waste from landfill	95%	2020	88%	2025	On track	
	Reduce water withdrawal intensity ⁽¹⁾	25%	2021	32%	2030	Achieved	
 Continue to invest in products that help decarbonise aviation	Increase % of total R&D expenditure on climate-related R&D annually to contribute to the decarbonisation of aerospace	50%	2020	80%	2025	Achieved	
	Increase % of new products which contribute to the decarbonisation of aerospace	50%	2020	100%	2025	Achieved	
 Prioritise health and safety, promote diversity and nurture the wellbeing and skills development of employees, and support the communities that they are part of	Protect our employees from injury and lost time accidents ("LTA") and maintain a LTA frequency rate below 0.1	<0.1	2020	0.04	–	Achieved	
	Ensure that all permanent employees receive regular annual formal performance reviews ⁽⁴⁾		2020	72%		On track	
	Invest £10 million ⁽⁵⁾ in the Melrose Skills Fund to promote engineering skills across the UK over five years			2018			Achieved
	Ensure at least 33% female membership at Board and in executive committee and its direct reports			2020	40%		Achieved
	Maintain achievement of Parker Review recommendations			2020			Achieved
 Exercise robust governance, risk management and compliance	Ensure compliance of all employees, suppliers and contractors with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner		2020			On track	

SUSTAINABILITY HIGHLIGHTS

In 2023, we continued to focus on improving material sustainability topics that impact our business and are of most concern to our key stakeholders.

ACHIEVING KEY MILESTONES AND SHAPING OUR BUSINESS FOR THE FUTURE

SUSTAINABILITY PERFORMANCE

Met most of our Group short-term and interim ESG targets ahead of target year.

[Read more on page 4](#) →

ESG RATINGS



NEW 2025 TARGETS

Set more ambitious interim sustainability targets to align with our transformation into a pureplay aerospace business.

[Read more on page 9](#) →

ESG ASSURANCE

Commenced a sustainability data pre-assurance project in preparation for formal limited assurance in the coming years.

SUSTAINABILITY PRINCIPLES

 Respect and protect the environment	 Exercise robust governance, risk management and compliance	 Promote diversity, prioritise and nurture the wellbeing and skills development of employees, and support the communities that we are part of	 Continue to invest in and support our business lines as they develop products and services aligned with a net zero future
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DIVERSITY AND INCLUSION

Updated our Diversity and Inclusion policies to better align with the latest benchmarks for diversity across the Board and executive management.

[Read more on page 47](#) →



(1) As of 2023, Melrose Industries plc received an MSCI ESG Rating of A.
(2) As of January 2023, Melrose Industries plc received an ESG Risk Rating of 27.8 from Morningstar Sustainalytics and was assessed to be at medium risk of experiencing material financial impacts from ESG factors. In no event the ESG Risk Rating shall be construed as investment advice or expert opinion as defined by the applicable legislation.

ENHANCING CLIMATE STRATEGY AND ENVIRONMENTAL DISCLOSURES

TECHNOLOGY LEADERSHIP

£48m

Investment in decarbonising R&D in 2023

Continued significant investment in world-leading technologies to enable aviation's route to Net Zero by 2050.



DOUBLE MATERIALITY

Completed a double materiality assessment to re-align the key focus areas reflective of our future as an aerospace only business, and re-assess our material sustainability topics based on their impact and financial materiality.

[Read more on page 8](#) →



SCIENCE-BASED TARGETS

Submitted near- and long-term emissions targets to the SBTi for validation.

[Read more on page 37](#) →

INCREASING ENGAGEMENT

ENHANCED RISK MANAGEMENT

Commenced Water and Biodiversity impact assessments to improve our understanding of risks, dependencies and opportunities for improvement.

NET ZERO TRANSITION PLAN

Developing our updated Transition Plan to set out our pathway to Net Zero with an updated climate risks scenario analysis and emissions targets.

[See our Transition Plan 2023 on page 17](#) →

ENGAGEMENT

>70%

Response rate in CDP supply chain engagement to track and encourage supplier alignment to Net Zero (2022: 50%).

Continued to collaborate with customers, governments, industry and other key stakeholders to actively influence and shape the future of a more sustainable flight.

CDP SUBMISSIONS

Achieved B for our CDP Climate Change and C for CDP Water Security disclosures.

B

CDP Climate Change 2023: B (2022: C).
Industry Average 2023: C (2022: C)

C

CDP Water Security 2023: C (2022: D).
Industry Average 2023: C (2022: C)



OUTLOOK FOR 2024

We are committed to remaining at the forefront of advancing aircraft efficiency and pioneering the development of sustainable aircraft of the future. This endeavour is underpinned by a steadfast commitment to technological innovation, advanced processes, and the pursuit of engineering excellence.

We recognise that the global civil aviation commitments to achieve Net Zero by 2050 will require improvements in aircraft and engine efficiency, improved aircraft flight management, the use of sustainable aviation fuels, and investment in innovative alternative energy solutions to address residual emissions.

Our network of Global Technology Centres across the UK, Sweden, the Netherlands and the US ("GTCs") is instrumental in directing Melrose investment into decarbonisation technology, enhancing GKN Aerospace's capabilities, promoting collaboration, and expediting technological breakthrough, with a particular focus on the electric and hydrogen opportunities for sustainable aviation, lightweight (composite) materials and wiring systems, aircraft engine efficiency and additive manufacturing. Furthermore, GKN Aerospace will continue to leverage its distinctive market position to harness the advantages of newly established partnerships with industry leaders in these dynamic and emerging markets.

(1) Submitted to the SBTi in 2023 and pending validation.

In 2024, we will continue to oversee and enhance our sustainability performance in the following key areas of focus:

- Identify and drive improvements to attain the new 2025 sustainability targets and associated goals, on or ahead of time, and across the priority material topics as identified and prioritised by the double materiality assessment;
- Continue to drive down business emissions and further develop our decarbonisation roadmap in line with our recently submitted Science Based Targets⁽¹⁾, in our own operations and across the value chain;
- Continue to improve sustainability data quality and reporting, including in preparation for the new regulatory requirements for sustainability data disclosures;
- Actively manage and mitigate the risks, and pursue appropriate opportunities, identified in the latest climate scenario analysis and Task Force on Climate-Related Financial Disclosures ("TCFD") and Climate-related Financial Disclosure ("CFD");
- Further improve our supplier engagement in line with the roadmap outlined in the Transition Plan to ensure progress towards achieving our Scope 3 engagement target.⁽¹⁾



SUSTAINABLE VALUE CREATION

Sustainability is an important part of our strategy, and we firmly believe that this focus is not just the right thing to do but is a central enabler of our success and value creation.

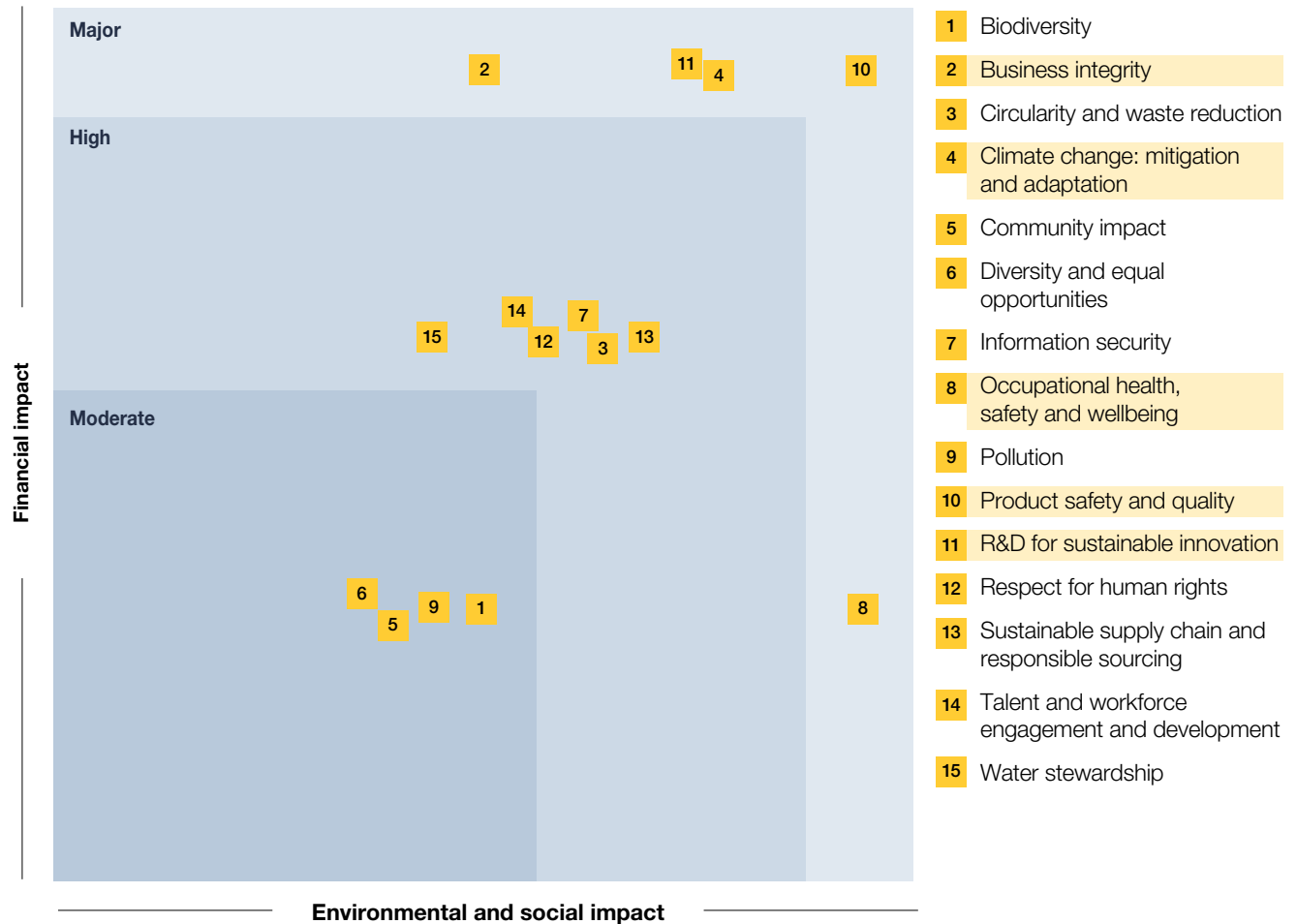
In partnering with our customers, we create breakthrough technologies and highly engineered products and systems where quality always comes first. We support our customers in tackling the most pressing and complex challenges across the aerospace sector and in achieving their own sustainability and net zero ambitions. With our aerostructures and engine systems enabling over 100,000 flights every day, empowered by innovative solutions based on breakthrough R&D and sustainable technology, we are committed to continuously improve all that we do and will always remain central to our success.

Our established sustainability governance framework helps drive longevity and credibility of sustainability performance over time as we seek to apply a long-term view and the highest standards of integrity, honesty, and transparency to any sustainability improvements we make and align them with commercial and operational success.

2023 Double Materiality Assessment

The transformation of the Melrose Group into a pureplay aerospace business has triggered the need to re-envision the sustainability topics that are material to the Group, and the Group sustainability targets required to drive improvements. In 2023, we conducted our first double materiality assessment to identify the sustainability topics that are most relevant for our new aerospace focused business and aligned stakeholders.

The new double materiality assessment results will help to guide our sustainability investments and initiatives to help tackle the most relevant risk exposures to society and the environment. This process will also help further integrate sustainability into our broader business strategy. Our near-term targets have also been reset to ensure continued drive and focus, with medium and long-term targets to be assessed over the coming years.



As illustrated above, the highest priority topics were identified as Climate change: mitigation and adaptation, R&D for sustainable aviation, Occupational health, safety and wellbeing, Product Safety and Quality, and Business integrity. Going forward, we will tailor activities, targets, and commitments based on the results of this materiality assessment.

The “Moderate” category ensures ongoing monitoring and action when necessary. Our journey toward an integrated, holistic approach to sustainability management reflects our commitment to supporting GKN Aerospace in its mission to be the most trusted and sustainable partner in the sky.



GROUP TARGETS AND COMMITMENTS

Our Group sustainability targets and commitments are designed to uphold our company's sustainability principles and directly address the most pertinent sustainability issues we face. By aligning our targets and commitments with the United Nations Sustainable Development Goals ("UN SDGs"), we connect our sustainability aspirations with those of society at large. This alignment also ensures that our value creation strategy aligns with the expectations of our stakeholders, which we are dedicated to embedding into our core business agenda.

In order to reflect the business transformation of Melrose into a pureplay aerospace business, in 2023 our Group sustainability targets have been reset to align with GKN Aerospace's sustainability ambition and the macroeconomic and broader industry drive for advancing the environmental and social improvements in aerospace. Our 2025 targets provide a further short-term improvement against our existing measures, whilst we in parallel will develop our interim and long-term ambitions incorporating both strategic and regulatory developments. The baseline for targets was set in conjunction with the timeframe of the Group's target-setting process.

Our sustainability improvement principles are linked to our targets, commitments, material topics, relevant stakeholders and UN SDGs. By fostering a culture of sustainability improvements, both operationally and financially, we strengthen our capabilities and resources, allowing us to pursue sustainable growth.

- (1) The Group's chosen intensity ratio is energy consumption, emissions and water withdrawal reported above normalised megawatts usage (MWh), tonnes of CO₂e, or m³ per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.
- (2) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.
- (3) Target baselined on FY2021 with consideration of HY2022 performance.
- (4) From a 2020 baseline year.
- (5) From a 2022 baseline year. Scope 3 emissions primarily based on spend data, more weight data required to improve calculation accuracy. Target includes Scope 3 emissions from Category 3: Fuel- and energy-related activities, Category 4: Upstream transportation and distribution, Category 5: Waste generated in operations, Category 6: Business travel and Category 7: Employee commuting.

SUSTAINABILITY PRINCIPLE: RESPECT AND PROTECT THE ENVIRONMENT

UN SDGs



Target 6.4

We have set a water withdrawal intensity target to increase efficiency across our business as we seek to address water challenges such as scarcity and quality



Target 9.4

Contributing to resource-use efficiency, we aim to consider the impact of our manufactured products on the environment in terms of raw material and energy use, waste, and carbon footprint throughout each product life cycle



Target 13.2

In recognition of climate change as a principal risk, we integrate it into strategic thinking and future planning

Targets

Reduce Scope 1 and 2 GHG emissions intensity by 50% by 2025⁽¹⁾

Source 50% of electricity from renewable sources by 2025⁽²⁾

Divert 95% of solid non-hazardous waste from landfill by 2025

Reduce water withdrawal intensity⁽¹⁾ by 40% by 2025⁽³⁾ and continue to implement a Group Water Stewardship Programme to improve water management

Climate targets submitted to SBTi for validation

Reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030⁽⁴⁾

Reduce absolute Scope 3 GHG emissions by 25% by 2030⁽⁵⁾

Achieve net zero GHG emissions across the value chain by 2050

Ensure 70% of suppliers by spend covering purchased goods and services have science-based targets by 2028

Sustainability improvement objectives

- Invest to improve operational efficiencies by minimising environmental impact through reduced energy consumption, CO₂ emissions, water use and waste management
- Align with recognised frameworks such as SASB, TCFD and CDP to increase transparency of actions as a core driver for change

Material topics

- Climate change: mitigation and adaptation
- Sustainable supply chain and responsible sourcing
- Circularity and waste reduction
- Water stewardship
- Biodiversity
- Pollution

Relevance to stakeholders

Investors, regulators, contractors, suppliers, customers, communities and joint ventures






**SUSTAINABILITY PRINCIPLE:
CONTINUE TO INVEST IN DEVELOPMENT PRODUCTS AND SERVICES ALIGNED WITH A NET ZERO FUTURE**

<p>UN SDGs</p>		<p>Target 7.3 We invest in improving the energy efficiency in manufacturing processes, enabling the development of effective solutions for climate change adaptation and mitigation</p>
		<p>Target 9.5 Our target for climate-related R&D facilitates the upgrade of our technological capabilities, bolstering our ability to help customers achieve their own climate goals</p>
		<p>Target 13.2 Integrating climate considerations into product development and commercial strategy, we have set a target to ensure that new product developments contribute to decarbonisation</p>
<p>Targets</p>	<p>Maintain 80% of total R&D spend on climate-related R&D per year to contribute to the decarbonisation of aerospace by 2025</p> <p>Achieve 100% of new product contracts that contribute to the decarbonisation of aerospace by 2025</p>	
<p>Sustainability improvement objectives</p>	<ul style="list-style-type: none"> • Support and harness product innovation and quality, to help our customers deliver on their commercial and environmental goals and find effective solutions to assist them in addressing climate change 	
<p>Material topics</p>	<ul style="list-style-type: none"> • R&D for sustainable aviation • Circularity and waste reduction 	
<p>Relevance to stakeholders</p>	<p>Investors, contractors, suppliers, customers, communities and joint ventures</p>	



The health, safety and wellbeing of all our employees and contractors has always been of paramount importance to Melrose. We understand the unique challenges and responsibilities that come with our industry, and we are resolute in our commitment to maintaining the highest standards in these areas.”

SUSTAINABILITY PRINCIPLE:
PRIORITISE HEALTH AND SAFETY, PROMOTE DIVERSITY AND NURTURE THE WELLBEING AND SKILLS DEVELOPMENT OF EMPLOYEES, AND SUPPORT THE COMMUNITIES THAT THEY ARE PART OF

UN SDGs	 Target 3.9 Our business has a prominent position at the heart of the net zero transition and our products have a key role to play in achieving air pollution reductions and reducing the associated health damage
	 Target 5.5 We promote diversity and inclusion to ensure employees’ full and effective participation and equal opportunities at all levels
	 Target 8.8 We implement effective policies and procedures to drive best health and safety practices and promote fair employment and skills development

Targets	<p>Protect our employees⁽¹⁾ from injury and accidents and maintain an LTA⁽²⁾ frequency rate below 0.1</p> <p>Ensure that all permanent employees receive regular performance reviews⁽³⁾</p> <p>Invest £5 million on skills development per year</p> <p>Maintain 40% female Board membership and at least one member of an ethnic minority background on the Board</p> <p>Achieve 40% female representation in the executive committee and its direct reports by 2025</p>
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Sustainability improvement objectives	<ul style="list-style-type: none"> Follow best health and safety practice across our operations, respect employees’ human rights and positively contribute to their communities by implementing effective policies and procedures, supported by local management accountability and a culture of strong awareness, training and investment Ensure the pension schemes are managed prudently and effectively for both employees and retirees, and where relevant seek to create better-funded schemes with more prudent targets under our stewardship Promote diversity and inclusion at all levels Promote fair employment and skills development Ensure that our people have a voice and can inform executive decisions
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Material topics	<ul style="list-style-type: none"> Occupational health, safety and wellbeing Community impact Diversity and equal opportunities Product safety and quality Talent and workforce engagement and development Respect for human rights
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Relevance to stakeholders	Regulators, contractors, suppliers, customers, communities and joint ventures
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(1) Excluding contractors.
 (2) Lost time accidents.
 (3) Where permitted by local laws and employee representative bodies.



**SUSTAINABILITY PRINCIPLE:
EXERCISE ROBUST GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE**

UN SDGs  **Target 8.7**
We are committed to acting in an ethical manner with integrity and transparency and create effective systems and controls across the Group to safeguard our business against adverse human rights impacts

Target 8.8
Protect labour rights of all workers, safeguard their contractual and statutory employment rights and the right to participate in collective bargaining and freedom of association

Commitment **Ensure that all employees, suppliers and contractors comply with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner**

- Sustainability improvement objectives**
- Implement and enforce effective compliance policies, ensuring integrity, responsibility and adherence to ethical principles
 - Protect the ultimate wellbeing of products' end-users by adhering to the highest safety standards
 - Respect labour and human rights and request suppliers to respect these principles
 - Protect information security and data privacy
 - Carry out prudent and responsible financial and tax planning and management
 - Maintain sensible and sustainable leverage to support investment

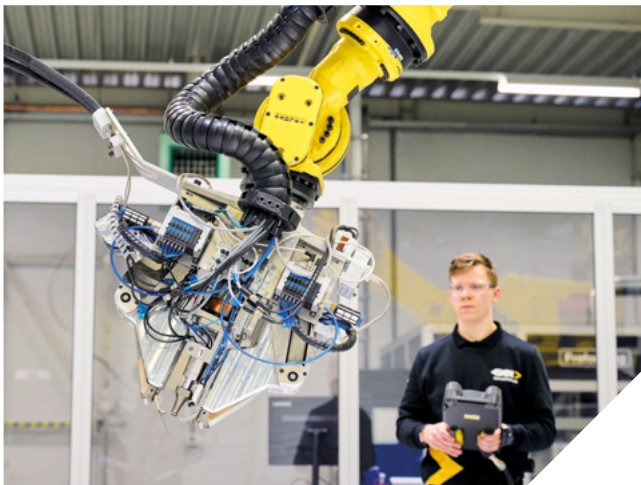
- Material topics**
- Business integrity
 - Information Security
 - Sustainable supply chain and responsible sourcing

Relevance to stakeholders Investors, regulators, contractors, suppliers, customers, communities and joint ventures

SUSTAINABILITY GOVERNANCE

In 2023, we further crystallised our sustainability and climate change governance framework, which enables the delivery of our sustainability targets and commitments as a new integrated and aerospace focused company. Our sustainability and climate change governance framework illustrates how we govern the delivery of our sustainability ambitions, including identifying, assessing and managing sustainability and climate-related risks and opportunities, setting targets and managing material topics, as overseen by the Board and committees, with the support of the integrated multi-function and multidisciplinary senior management team with respective responsibilities and accountabilities.

The topics discussed with the Board throughout 2023 include quarterly performance against the existing Melrose Group sustainability targets, our new targets and material topics, advancement of our climate financial disclosures, updated Transition Plan, progress with ESG ratings, and sustainability governance among other topics.



The Audit Committee is responsible for ensuring that the Climate Change principal risk is integrated into Group risk management. It is responsible for monitoring, overseeing and reviewing the effectiveness of the Group's risk management processes and approach, including reviewing the Group's principal risks which include Climate Change risk, and considering the risks and opportunities identified by the Melrose senior management team. The Nomination Committee is responsible for ensuring that Board membership and pipelines for succession planning are suitably diverse. The Remuneration Committee is responsible for recognising sustainability considerations in the strategic element of the Melrose Group executive remuneration structure.

The GKN Aerospace sustainability function is responsible for executing the Group's sustainability priorities, inclusive of climate change considerations. The function evaluates sustainability performance against sustainability targets each quarter along with the implementation status of agreed-upon actions across the ESG KPIs. Please refer to pages 9-12 for more information on the Group sustainability targets and commitments. Please see the Melrose Group's third TCFD report on pages 22 to 38 for more details on climate change governance, strategy, risk management and metrics and targets.

→ See group sustainability targets and commitments on pages 9-12

→ See climate change governance, strategy, risk management and metrics and targets on pages 22 to 38

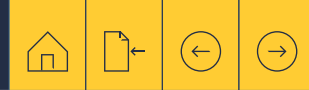


Our sustainability and climate change governance framework illustrates how we govern the delivery of our sustainability ambitions, including identifying, assessing and managing sustainability and climate-related risks and opportunities, setting targets and managing material topics."

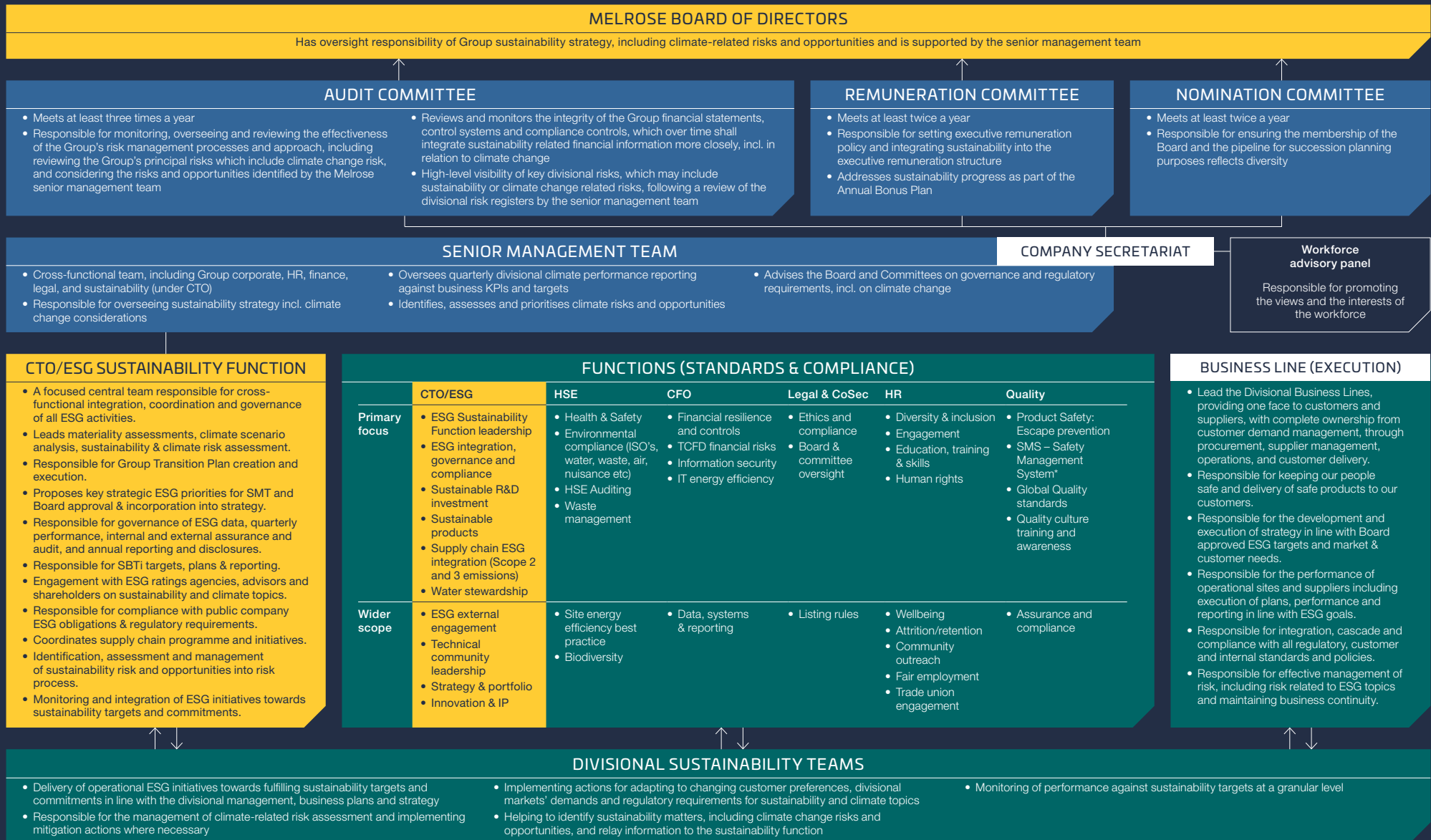
DELIVERING OUR PROMISES

Following strong performance against existing targets and commitments made, further actions being taken include:

- ✓ In line with our commitment relating to the setting of science-based emissions targets by our businesses, GKN Aerospace has successfully submitted its application to SBTi for validation.
- ✓ We have further advanced our sustainability data management and reporting tools to track quarterly performance against our targets which has helped to bolster regular engagement and focus action planning.
- ✓ We have increased our Diversity and Inclusion target to maintain 40% female representation across the Board and to achieve 40% female representation at Melrose Executive Committee level and direct reports.
- ✓ Continuing to evolve the Group's understanding and assessment of biodiversity factors prior to the official release of a global Taskforce on Nature-Related Financial Disclosures ("TNFD") framework. Specifically, we have continued to assess our sites' exposure to water risks in their locations and started the analysis of associated biodiversity risks.
- ✓ Continuing to evolve the Group's TCFD disclosures, with increased linkages to quantitative data within the Annual Report and financial statements where relevant and appropriate.
- ✓ Continuing to engage with our suppliers with a view to expanding our Scope 3 data reporting to ensure we are well positioned to achieve our Scope 3 SBTi target for engagement with our supply chain.
- ✓ As part of the renewal of the Company's Directors' remuneration policy in 2023, we have integrated ESG metrics into executive remuneration as a standalone element of the annual bonus.



SUSTAINABILITY AND CLIMATE CHANGE GOVERNANCE FRAMEWORK



ENVIRONMENTAL IMPACT

Our strategic sustainability priority is to respect and protect the environment. We do so by working to avoid harmful impact on the air, water and soil as far as reasonably possible.

38%
reduction in Scope 1 and 2 emissions since 2020

88%
of solid non-hazardous waste diverted from landfill in 2023

32%
decrease in water withdrawal intensity since 2021



IN THIS SECTION

ENVIRONMENTAL

- Enabling a transition to Net Zero 17
- TCFD and CFD 22
- Water 40
- Circularity 41
- Biodiversity 41
- Waste 42

UN SDGs



MATERIAL TOPICS

- Circularity and waste reduction
- Water stewardship
- Biodiversity
- Pollution

Our approach to environmental protection is twofold. Firstly, we seek to reduce the environmental impact of our operations through robust and ambitious sustainability targets. Secondly, we seek to help our customers address their environmental impact and to contribute to the decarbonisation of aerospace. Our Group environmental policy, as approved by the Board, demonstrates our commitment towards driving sustainable production methods and infrastructure, and minimising the potential negative impact we may have on the environment over the longer term. The policy, which applies to all individuals working across our business, can be found on our website.

→ To read our Data reports and policies, visit melroseplc.net

Investment in and deployment of effective systems and processes designed to manage and minimise our environmental impact is actively encouraged across the entire organisation. Such measures are subject to continuous evaluation following the advancing best practices.

At the end of 2023, in recognition of the business's strong focus on ensuring efficient and sustainable use and management of energy and natural resources, 31 sites (60%) across our businesses were certified to ISO 14001 standard (2022: 31 sites, 65%), and five sites (10%) achieved ISO 50001 certification (2022: five sites, 10%).

Compliance to the standards is ensured by internal audits, with annual surveillance audits being completed by an external certified auditor, with a full re-certification carried out every three years.

In addition to external ISO certifications, in March 2023, GKN Aerospace published an Environment Standard to provide each site with minimum internal standards they must adhere to maintain compliance.

TCFD COMPLIANCE

For clarity around compliance of the following information with the TCFD framework, the TCFD All Sector Guidance and Supplemental Guidance for Non-Financial Groups⁽¹⁾ and the requirements arising from Listing Rule 9.8.6R(8), we consider our disclosure to be consistent with all TCFD recommendations and recommended disclosures and with the climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as shown in the TCFD cross-reference and disclosure consistency summary below.

Recommendation	Recommended disclosures	Page
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	22
	b) Describe management's role in assessing and managing climate-related risks and opportunities	
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	23
	b) Describe the organisation's processes for managing climate-related risks	
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	25
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	35
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks	
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

(1) https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf.



ENABLING A SUSTAINABLE TRANSITION TO NET ZERO

TRANSITION PLAN

In 2023, we developed our updated Transition Plan to provide stakeholders with clarity around the actions we intend to take to achieve our short and medium-term emissions reduction targets to reach net zero emissions across the value chain by 2050, and how we plan to contribute to reducing the climate impact of aerospace.

Our Transition Plan outlines our objectives, priorities, detailed plans, and projects to reach our science-based emissions reduction targets⁽¹⁾, which have been submitted to the SBTi for validation. Progress against these targets will be reported annually in our Annual and Sustainability Reports and within our CDP Climate Change responses as applicable.

Opportunity for change

The major manufacturers in the aerospace sector need to collaborate with all parts of the supply chain to innovate and deliver solutions that accelerate the path to Net Zero. The size of the challenge cannot be overestimated and requires a two-pronged approach whereby manufacturers need to find a way to scale up current production levels in a sustainable manner, while developing the aircraft of the future that will eliminate the climate impact of aviation from the top down. Central to tackling this challenge successfully, is not only industry-wide collaboration given the hugely complex aerospace supply chains, but also cumulative support delivered through cross-sector partnerships, investment in renewable energy sources, and enabling the required infrastructure. As set out in the Sustainable Aviation Roadmap, the UK Government has committed to achieving net zero carbon emissions by 2050, reducing net CO₂e output from around 39 million tonnes to zero whilst still growing UK aviation by 78%. This will require improvements in aircraft and engine efficiency, improved aircraft flight management, the use of sustainable aviation fuels and investment in innovative alternative energy solutions to address residual emissions.

With its market-leading positions driven by technological innovation, advanced processes and engineering excellence that help aircraft fly safely and more sustainably, GKN Aerospace's operational excellence, high-volume production and smart industry capabilities are now driving the global development towards lower energy consumption, reduced material waste and higher performance, resulting in shorter production lead times and more affordability for its global customers.

(1) Scope 1 and 2 targets are aligned with the ambition and emissions reduction trajectory required to curb global temperature rise to 1.5°C. Scope 3 target is aligned with the carbon emission reductions needed to curb global temperature rise to well below 2°C and is a significant step towards our net zero ambition by 2050.

To read our 2023 Transition Plan, visit melroseplc.net



STRATEGIC AMBITION

GKN Aerospace performs a key role in achieving this goal through a number of UK, EU and US industry bodies alongside its portfolio of innovative sustainable R&D projects, to ensure that the plan for Net Zero can be met despite projected passenger growth. GKN Aerospace is driving significant progress to support the net zero agenda through decarbonising our own operations and driving impact throughout the value chain. Please see pages 37 to 38 of our TCFD report to read more about our targets and commitments, and the roadmap for achieving them.

Industry leadership

From improving efficiency through to cutting edge transformational solutions, our technologies and products aim to enable aviation's journey to Net Zero. However, collaboration and investment must look beyond new technologies and products. Critical to success will be ensuring that regulatory frameworks and economic policies enable the most environmentally sustainable solutions to also be economically viable. Participation in major aerospace sustainability think tanks, councils, regulatory bodies and collaboration forums aims to leverage our focus on sustainability for much greater impact.

GKN Aerospace is an active player in the leading industry and collaboration platforms, which places it at the forefront of the latest breakthrough aerospace trends in both R&D and sustainability. Set out below are some examples of the way we engage with the industry globally and across the countries where we operate.

- GKN Aerospace is a signatory to the Joint Declaration of European Aviation Stakeholders related to Clean Aviation in Horizon Europe, committing to a European Partnership towards achieving the goals of the Paris Agreement.
- Within the UK, it also works within the Jet Zero Council, the Aerospace Technology Institute, the Hydrogen in Aviation alliance, and the Aerospace Growth Partnership where GKN Aerospace plays a key role in developing the policy to support aviation's transition to Net Zero.
- In Engines, GKN Aerospace's Permanova business continued to support business growth while transforming its supply chain by offering material solutions that are more sustainable than the current alternatives available on the market. It is expected to achieve significant savings in emissions through the expansion of lightweight and much higher buy-to-fly product offerings. The first product using Permanova base material will be a fabricated fan case mount ring for Pratt & Whitney, saving an estimated 1.5 tonnes of CO₂e per unit produced.
- GKN Aerospace's Engines division is also the only partner in both of today's sustainable future civil engine technology development programmes: the SWITCH consortium – alongside Pratt & Whitney, Airbus, MTU and Collins Aerospace – to develop the next-generation of GTF engine, and the CFM RISE programme.
- Within the Structures division, development work continued as a key partner with Airbus on the Wing of Tomorrow project. The project, funded by the UK Aerospace Technology Institute, aims to provide technologies for a composite single-aisle wing to improve aerodynamic performance and reduce CO₂ emissions. The technology deployed sees a move away from traditional, pre-impregnated resin material to dry composite fibres that are injected with thermoset resin co-cured within a highly controlled out-of-autoclave manufacturing process. This enables overall weight reduction, whilst reducing manufacturing process steps and significantly reducing energy consumption.
- The Wing of Tomorrow programme has also enabled the testing of more sustainable out-of-autoclave thermoplastic production processes. Initial tests have demonstrated significant environmental benefits, including an 80% lower production time compared to conventional autoclave technology, as well as an 80% decrease in energy use and therefore emissions.
- 2023 also saw GKN Aerospace lead the Clean Sky 2 STUNNING programme to successfully manufacture one of the world's largest thermoplastic components – an 8m x 4m half-fuselage made from novel thermoplastic manufacturing and joining technologies. These will help enable the performance benefits of composites to be deployed with reduced manufacturing emissions, whilst also improving resilience and material recyclability. The project was part of the Multi-Functional Fuselage Demonstrator, led by Airbus, which aims to reduce fuselage weight by 1 tonne (10%), substantially reducing in-flight emissions.



From improving efficiency through to cutting edge transformational solutions, our technologies and products aim to enable the aviation's journey to Net Zero. Collaboration and investment must look beyond new technologies and products. Critical to success will be ensuring that regulatory frameworks and economic policies enable the most environmentally sustainable solutions to also be economically viable."



→ To read our 2023 Transition Plan, visit [melroseplc.net](https://www.melroseplc.net)

- GKN Aerospace was among the first companies to sign up to the UK's new Defence Aviation Net Zero Strategy, which serves as a comprehensive roadmap to achieve carbon neutrality in the aviation domain. GKN Aerospace joined key customers and OEMs in supporting the strategy and was the only Tier 1 supplier to sign in 2023.
- GKN Aerospace has taken a sustainability leadership role in the defence markets, including working with Saab and other partners to support the use of Sustainable Aviation Fuels within the Gripen RM12 engine. Biofuels have been proven to be interchangeable within the engine, with tests showing excellent results so far. GKN Aerospace also supported Bell on the first ever 100% SAF single engine helicopter flight.
- In the rapidly developing advanced air mobility sector, GKN Aerospace signed a series of design-and-build production contracts with emerging companies in 2023, including Lilium, Supernal and Joby. These relationships combine with existing partnerships – such as with Eviation, Vertical – to accelerate the future of battery-electric-powered, zero emission flight.
- In the same sector, GKN Aerospace partnered with Pratt & Whitney Canada on its hybrid-electric flight demonstrator project in which it will develop, construct and install the electrical wiring interconnection system for the demonstrator, targeting a 30% improvement in fuel efficiency and reduced CO₂ emissions compared to today's most advanced regional turboprop aircraft.
- Enabled by the Future Flight Challenge for Innovate UK, GKN Aerospace delivered its first ground-based demonstrator of a liquid hydrogen aircraft fuel system. The test helped develop new understanding to support safe system design, manufacturing and operational knowledge for liquid hydrogen fuel systems.
- Work continued under the £54m H2GEAR programme to develop technology for zero emissions hydrogen-powered aircraft. The programme is on track to ground test a scalable hydrogen-electric fuel cell propulsion system in 2025. A memorandum of understanding with Marshall and Parker Aerospace will expand GKN Aerospace's hydrogen system capability to liquid hydrogen fuel systems for zero emission aircraft, whilst a further collaboration with Embraer aims to accelerate the implementation of hydrogen technologies and pave the way for a potential flight demonstrator.
- GKN Aerospace also turned its hydrogen leadership towards defence, partnering with Swift Aircraft to develop design concepts for zero emission light aircraft. Light aircraft are essential for training military pilots, and the RAF's net zero 2040 programme has made a future fleet of sustainable military training aircraft a key priority.



CASE STUDY/

AEROSPACE SUPPLY CHAIN ENABLED DEVELOPMENT (“ASCEND”) PROGRAMME

DELIVERING NEXT GENERATION TECHNOLOGY THROUGH HIGH-VALUE STRUCTURAL DESIGN AND ADVANCED MATERIALS

ASCEND is an integrated technology programme funded by the UK Aerospace Technology Institute (“ATI”) and led by GKN Aerospace in collaboration with 15 industrial partners. The cross-sector consortium is working on developing large-scale integrated composite and multifunctional structures through joined aerospace and automotive composites supply chain capabilities to manufacture advanced, lightweight structures at higher production rates. The development of composite and adjacent sector manufacturing technologies will enable UK's aviation to meet the increasing production needs across the growing civil aircraft and future advanced air mobility markets. The programme will focus on five key themes: Lightweight design; Future materials; Rate capability demonstrators; Electrification and multi-functional structures; and Hybrid structures. The innovative technologies, processes, tools and skills that ASCEND will develop within these modules, will help reduce the cost of manufacturing and the entire aerospace sector carbon footprint.

The fundamental knowledge transfer from pooling capabilities of the aerospace supply chains will develop competence by creating a step change in manufacturing rates of aerostructures, enabling exploitation into other sectors, including automotive and defence, where higher manufacturing rate and reduced cost of composite structures development are increasingly needed.

ASCEND will facilitate and support GKN Aerospace and the UK composite industry as it drives the technologies, skills and market development to sustainably deliver aerospace sector growth and into adjacent sectors in the future.



CASE STUDY/

H2GEAR HYDROGEN: THE NEXT FRONTIER IN DECARBONISING AVIATION

GKN Aerospace's H2GEAR programme is a pioneering industrial and academic collaboration developing an innovative groundbreaking electric hydrogen propulsion system. It aims to revolutionise aviation by transitioning from traditional fossil fuels to clean, sustainable hydrogen power. Aligned with GKN Aerospace's strategic focus on sustainability and innovation, H2GEAR contributes to the development of advanced technologies that will enable it to cater to the growing demand for sustainable aviation solutions.

Hydrogen represents the next frontier in decarbonising aviation. It is a high-potential technology with a specific energy-per-unit mass that is three times higher than traditional jet fuel. If generated from renewable energy sources, hydrogen emits no CO₂ or NOx emissions, thereby enabling renewable energy to power commercial aircraft without contributing to global warming. H2GEAR building blocks for developing a scalable hydrogen propulsion system include:

- liquid hydrogen storage systems to safely store and manage the cryogenic liquid hydrogen fuel, to be expanded in 2024 through the launch of the ATI funded multi-partner "HyFIVE" hydrogen fuel systems programme;
- aerospace grade fuel systems to convert hydrogen into electricity, providing the power source for the propulsion system;
- high-power, high efficiency cryogenically cooled electric motors to generate the thrust required to propel the aircraft;
- power electronics to manage and control the flow of electricity in the propulsion system; and
- thermal management systems to manage and optimise the transfer of heat.

The market for hydrogen propulsion systems in aviation is expected to grow significantly in the coming years, driven by increasing environmental regulations and consumer demand for sustainable aviation. The regional aircraft market is particularly well-suited for early adoption of hydrogen propulsion due to its shorter routes and lower passenger capacity, however, through scalability, the H2GEAR technology is expected to present an opportunity for larger passenger carrying and longer-range market applications.

H2GEAR has the potential to deliver significant environmental benefits, such as zero carbon and NOx emissions from the propulsion system, improved air quality, contrail management through the control of water vapour release (the only by-product of the propulsion system), and reduced noise pollution from aircraft operations.

The programme also holds the promise of social benefits, such as sustainable transportation options for passengers and communities served by sub-regional and regional aircraft, with the potential to scale to larger platforms, as well as economic development for regions where hydrogen-powered aircraft are deployed.

H2GEAR is currently in its development phase, with integrated ground-based testing scheduled for 2026. The aim is to achieve commercial readiness for hydrogen-powered regional aircraft by the mid 2030s, with the potential to scale the technology to larger, longer-range platforms in the future.



H2GEAR holds the promise of social benefits, such as sustainable transportation options for passengers and communities served by sub-regional and regional aircraft, with the potential to scale to larger platforms, as well as economic development for regions where hydrogen-powered aircraft are deployed."



CASE STUDY/

RISE
FUTURE
OF AVIATION

GKN Aerospace is participating in the CFM International RISE Project which seeks to accelerate the development of uncompromising new propulsion technologies that will pave the way for the next generation of aircraft. Its open fan technologies are expected to support an over 20% improvement in operational efficiency, 20-50% improvement in quality and 20-40% supply chain optimisation. In addition, the project seeks to ensure future compatibility with SAF as well as hydrogen combustion and hybrid-electric propulsion.

GKN Aerospace's role in RISE is to design and manufacture several structures that are central to the construct of the engine, leveraging its expertise in lightweight multifunctional design of critical structures for the next generation of engine architectures. The design solutions are demonstrated through ground tests and on flying test beds.

Its focus is on design of load-carrying structures with reduced engine weight of around 20% through the fabrication and integration of key engine functionalities such as heat exchangers, aero performance, multi-stream, anti-ice and particle extraction. The project builds on GKN Aerospace's design competence around the turbine mid-structure product family enabling it to expand its product portfolio on the market.

Through the RISE programme, GKN Aerospace also aims to demonstrate additive fabrication on critical components such as the 100% LDED-w manufactured Mid Fan Containment Case which will demonstrate its ability to produce near net shape substrates significantly reducing material waste and lead time. This technology lowers the CO₂e footprint and results in better control over the supply chain. Additionally, its 100% Laser Powder Bed Fusion ("LPBF") manufactured Bearing sump, which is a high TRL demonstration, is a key technological step to be able to offer the market complex powder bed manufactured titanium structures.



Fabrication has been a hallmark of GKN Aerospace Engines for several years. In this project, GKN Aerospace is combining learnings from previous in-service components as well as Clean Sky/Clean Sky 2 components to create central components in the RISE engine that is being combined using Electron Beam welding. Fabrication ensures that different material forms can be combined to provide the optimal combination of low weight and required stiffness. In addition, on the border between Design and Manufacturing, a digital thread is being developed and demonstrated within the project. This approach will reduce life cycle cost whilst improving operability and durability.

CASE STUDY/

CLEAN SKY 2 STUNNING
PROJECT LARGE SCALE
THERMOPLASTIC
COMPOSITE FUSELAGE
DEMONSTRATOR

Composite structures, by way of their reduced weight, contribute strongly to more sustainable aviation through reduced CO₂ emissions. Within composites, thermoplastics are of high potential because of material toughness, inherent high processing speeds and material recyclability.

Within the Clean Sky 2 programme, and within the Multi-Functional Fuselage Demonstrator ("MFFD") effort, GKN Aerospace has developed and built the lower half of a thermoplastic fuselage section in partnership with Dutch partners NLR and the Technical University of Delft as well as with German interiors specialist Diehl. The goal of the STUNNING project is to demonstrate the feasibility of designing and manufacturing an eight-metre lower half of a typical narrow body type fuselage, proving the potential of a 1000+kg weight reduction on an aircraft level, allowing for further systems integration and proving significant potential for costs reduction through the use of welding technologies instead of drilling and mechanical fastening.

The programme seeks to support airlines in the challenge of achieving weight reduction in composite fuselage structures which tend to be very thin shells, highly loaded and subject to various mechanical impacts in service. Thermoplastic composites, by nature of the toughness of the high-performance thermoplastic polymers used, offer the opportunity to achieve significant weight savings compared to metallic solutions.



TCFD AND CFD

GOVERNANCE

A

Describe the Board's oversight of climate-related risks and opportunities.

B

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

Board oversight of climate change

The Melrose Board of Directors, supported by the Melrose senior management team as informed by the GKN Aerospace sustainability function, has oversight of and ultimate responsibility for Melrose's sustainability strategy (including climate change), targets, disclosures, and reporting. The Board assesses climate-related risks and opportunities among other sustainability and environmental material topics and monitors performance against targets. Climate-related opportunities such as investment in significant projects are presented to the Board for sign-off where appropriate. The Board also oversees our alignment with the TCFD recommendations, compliance with the Climate-related Financial Disclosure ("CFD"), and our sustainability and climate commitments and disclosures.

The Board receives annual training and regular updates on key sustainability and climate-related matters that impact Melrose and the GKN Aerospace divisions, and on the specific measures that need to be implemented to improve performance. The Board regularly considers climate-related matters when reviewing and guiding strategy and overseeing its implementation through oversight of divisional financial and operational performance and quarterly Board meetings.

Progress in improving climate-related matters is monitored by the GKN sustainability function and reported to the Melrose senior management team, for the Board's onward review, challenge and discussion where required. This includes the tracking of company sustainability and climate targets, and key metrics such as year-on-year reduction in emissions, increase in spend on R&D programmes focused on decarbonisation, the number of new products contributing to the decarbonisation of aerospace and other innovation programmes.

The Audit Committee updates the Board on climate risk management by monitoring and reviewing the effectiveness of the risk management processes, including the review of our principal risks of which Climate Change risk is one. The Remuneration Committee implements the Company's Directors' remuneration policy ("Directors' Remuneration Policy") and as part of the renewal of the Company's Directors' Remuneration Policy in 2023, we have integrated ESG metrics into executive remuneration as a standalone element of the annual bonus. Please see the Directors' Remuneration report in our 2023 Annual Report for more details.

→ **See the Director's Remuneration report in our 2023 Annual Report**

Oversight of sustainability and climate-related matters is integrated across our Board and its Committees as outlined in the sustainability and climate change governance framework.

→ **See our Sustainability and climate change governance framework on page 14**

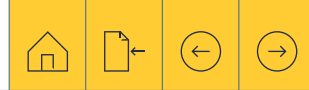
Management oversight of climate change

The GKN Aerospace sustainability function plays a key role in escalating material sustainability and climate risks and opportunities to the Melrose senior management team, who ensure the implications of these are considered within the Board's agenda, governance framework, business strategy and where relevant, financial plans, to address climate-related risks and pursue opportunities. The sustainability function meets with relevant members of the executive team on a quarterly basis to track the climate-related risks and opportunities register. More information on how we determine the materiality of climate-related risks, and their financial impact can be found in the Strategy b) section on pages 25 and 34.

The GKN Aerospace sustainability function is responsible for the identification, design, implementation, monitoring and continuous evolution of improvement actions and performance towards achieving our climate targets, and incorporation of the TCFD and CFD recommendations to improve our disclosures.

Climate-related risks and opportunities are discussed regularly within GKN Aerospace and in decision-making that relates to setting strategy to mitigate identified risks or capitalise on opportunities. Where relevant, the Melrose senior management team engages with the business line senior management teams when reviewing and guiding strategy, which can include the approval of major capital expenditure. This engagement includes the identification and monitoring of sustainability and climate-focused improvement plans, performance against climate targets, management of climate risks and climate reporting alongside financial and operational metrics, the reviews of which are embedded in a structure of business reviews cascaded through the business. The GKN Aerospace sustainability function engages with the respective business line senior management teams to guide focus, review progress and identify synergistic opportunities. The GKN Aerospace sustainability function is responsible for coordinating key stakeholders across the business to ensure that required controls are in place for appropriate risk mitigation and management, and that the assessment and management of sustainability and climate-related risks and opportunities are integrated across the business. Management of sustainability and climate-related matters is integrated across executive levels as outlined in the sustainability and climate change governance framework on page 14.

→ **See our Sustainability and climate change governance framework on page 14**



RISK MANAGEMENT

A

Describe the organisation’s processes for identifying and assessing climate-related risks.

B

Describe the organisation’s processes for managing climate-related risks.

C

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

Identifying and assessing risk

As a principal risk, Climate Change risk undergoes continuous assessment through the established Melrose risk management processes of identification, evaluation, mitigation, analysis, review and monitoring, as is the case with other principal risks. For further details on our approach to assessing principal risks, please see the Risk Management and Risks and uncertainties section of the 2023 Annual Report. To account for the change of structure within the organisation, we have carried out a new climate scenario analysis to ensure that the specific climate-related risks and opportunities identified by the Company are aligned with the aerospace industry. Specific climate-related risks and opportunities have been identified at subsidiary level (GKN Aerospace) and are reported up to the Group level to inform the assessment of the Climate Change principal risk. The climate scenario analysis will be renewed at least every three years to ensure the most up-to-date and relevant information on our exposure to risks and mitigation opportunities.

This year, we have recalibrated our initial 2021 climate scenario assessment of climate-related risks and opportunities to focus on the aerospace sector. Climate risks and opportunities were identified through a comprehensive assessment conducted with the assistance of third-party consultants. This assessment involved a combination of interviews with key stakeholders, including several internal functions and rigorous desktop research. Two separate climate risk assessments have been carried out to reflect the differences in physical and transition risks and opportunities. Both these risk assessments included a company-wide review of operations, customers, supply chain and how this could impact revenue, assets and other costs. The analysis combined horizon scanning of external industry and wider macroeconomic aspects of climate risks, as well as engagement with internal business functions, including but not limited to R&D, procurement, operations, customers and products function, senior management, risk, finance and sustainability teams across GKN Aerospace’s business lines of engines and structures, and at Melrose level. Risks and opportunities have been prioritised to determine which have a material financial impact on the organisation using both likelihood (the probability of the risk occurring) and impact (the financial and reputational outcome of the risk occurring), resulting in a combined risk register with a low-, moderate- or high-risk rating for each time horizon and scenario. The summary of identified

risks and opportunities outlines the risk and opportunity exposure, the timeframe to which the impact of the risk and opportunities will manifest, and also which scenario is likely to have the greater likelihood of impact.

The Melrose senior management team oversees the identification of climate-related risks and opportunities with the support of GKN Aerospace sustainability function who identify, monitor, and manage the specific risks relevant to the GKN Aerospace business lines’ operating activities and ensure that required controls are in place for appropriate mitigation and management. The identification and assessment of climate-related risks and opportunities also includes horizon scanning as part of our key positions in influential industry bodies such as Jet Zero Council in order to monitor key developments and risks, and to engage with policy makers to mitigate their impact on the business. We also rely on the support of advisors where appropriate, who contribute to the awareness and analysis of climate-related risks and opportunities that are relevant to the Company. By engaging in this multifaceted approach, we gained valuable insights into the potential risks associated with climate change, as well as the opportunities that might emerge in the context of emerging regulatory landscapes.

Risk assessment criteria

	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain
Likelihood	Highly unlikely, but the risk event may occur in exceptional circumstances. The risk event could happen, but probably never will.	Not expected, but there’s a slight possibility the risk event may occur at some time.	The risk event might occur at some time as there is a history of casual occurrence.	There is a strong possibility the risk event will occur as there is a history of frequent occurrence.	The risk event is expected to occur in most circumstances as there is a history of regular occurrence.
	1 Minimal	2 Low	3 Medium	4 High	5 Very high
Impact	Inconvenience, but no impact on ability to achieve objectives.	Disruption to activities but limited to the immediate term. No longer-term impact on ability to achieve objectives.	Considerable issue but short term. Only relatively minor concern about longer-term business prospects.	Significant impact. Casts significant doubt on the ability to meet objectives and places the future of the business in peril.	Failure of the business. Unable to achieve corporate objectives.
	Regulator is aware, but no impact. ‘Slap on the wrist’. Not in the public domain.	Small fines or written warnings. Customers aware.	Large fines and written judgements. Public awareness but limited long-term impact on reputation.	Significant adverse regulatory judgement and/or fines. National press coverage and significantly tarnished reputation.	Loss of licence or ability to operate. Very significant fines or criminal proceedings.

Climate-related risks were assessed alongside climate-related opportunities, based on the same criteria that was used to determine and rate the divisional-level risks and their relative significance in comparison to other non-climate-related risks. This allowed for their integration into the overall risk management framework. Our risks were ranked on a five-point scale for both likelihood (the probability of the risk occurring) and impact (the financial and reputational outcome of the risk occurring), resulting in a combined risk register with a low-, moderate- or high-risk rating for each time horizon and scenario. The likelihood and impact criteria allow the materiality of risks to be determined as defined in the table on page 23, meaning that GKN Aerospace can prioritise the management of the most material risks (those of high and very high impact) by allocating appropriate resources to it. For more details on the identified climate-related transition and physical risks, please see pages 26-33.

Management of risk

The GKN Aerospace sustainability function is responsible for regularly reviewing and considering the levels of significant climate-related risks, their impact on business strategy and the effectiveness of management and mitigation controls. The decision to tolerate, transfer or treat a risk is partially determined by the risk impact and likelihood criteria. Risks with higher scores will need to be managed appropriately to bring the risk impact back in line with an appropriate risk appetite. Action plans are developed for higher scoring risks which detail existing controls and descriptions of response actions needed to mitigate the risk. Responsibility for specific risks is also assigned to ensure appropriate implementation and management. For more information on how we manage each identified climate-related risk, please refer to pages 26-33.

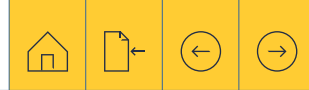
→ See our identified climate-related transition and physical risks on pages 26-33



Integrating climate into existing risk management

Due to the increased frequency of extreme weather and climate-related disasters, coupled with tightening legislation and regulations, Climate Change has been identified as a standalone principal risk since 2021 and is incorporated into Melrose's overall risk management processes. The Climate Change principal risk comprises a combination of transition and physical risks as identified in our climate scenario analysis on pages 26-33.

The identified risks undergo reassessment every year by the GKN Aerospace divisional management teams to determine the risk trend, impact and likelihood. The transition and physical climate risks are then presented to the Audit Committee for consideration alongside the other principal risks on a biannual basis in the form of reports prepared by the Melrose senior management team. The Chairman of the Audit Committee updates the Board to inform the Board's review, challenge and setting of Melrose's appetite for each principal risk, including Climate Change. The Board's assessment of each of the principal risks and their management, are disclosed in our 2023 Annual Report which shows the relative significance of climate-related risks compared to other principal risks. The output from the climate change risks assessment is considered in our strategic business planning as relevant.



STRATEGY

A

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

B

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

C

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

Melrose's commitment to net zero emissions by 2050 and to manage emerging risks associated with extreme weather, pose physical and transitional risks as well as opportunities. The roadmap for achieving our targets through operational decarbonisation, products and services and engagement with our value chain, and the approach for addressing our risks and opportunities are detailed in our Transition Plan.

→ To read our 2023 Transition Plan, visit melroseplc.net

This year, we have recalibrated our initial 2021 climate scenario assessment of climate-related risks and opportunities to focus on the aerospace sector. Two separate climate risk assessments have been carried out to reflect the differences in physical and transition risks and opportunities. Both these risk assessments included a company-wide review of operations, customers, supply chain and how this could impact revenue, assets and other costs. The analysis combined horizon scanning of external industry and wider macroeconomic aspects of climate risks, as well as engagement with internal business functions, including but not limited to R&D, procurement, operations, customers and products function, senior management, risk, finance and sustainability teams across GKN Aerospace's business lines of engines and structures, and at Melrose level. Risks and opportunities have been prioritised to determine which have a material financial impact on the organisation using both likelihood (the probability of the risk occurring) and impact (the financial and reputational outcome of the risk occurring), resulting in a combined risk register with a low-, moderate- or high-risk rating for each time horizon and scenario. The summary of identified risks and opportunities outlines the risk and opportunity exposure, the timeframe to which the impact of the risk and opportunities will manifest, and also which scenario is likely to have the greater likelihood of impact.

In aggregate, we conclude that our overall climate risk exposure is moderate, and our business is financially and operationally resilient and strategically robust to climate risks in the immediate term within the bounds of our "business-as-usual" operations, considering that many of the risks are already being addressed through existing or planned mitigation or adaptation activities and provisions. In addition, significant focus and investment, such as our R&D programmes, is ongoing to support realisation of a number of related climate-related business opportunities.

In our assessment, we considered the short-, medium- and long-term impacts of climate change when examining the identified transition climate-related risks (and opportunities) and their actual and potential business impacts (including on strategy and financial planning). Three time horizons were used to identify and assess specific transitional climate-related issues. These time horizons allowed us to consider the lifespan of our assets and infrastructure as well as any longer-term regulatory changes.

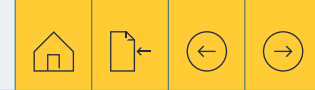
Time horizons	Rationale
Short 2023–2025	In line with short-term specific business planning.
Medium 2025–2030	Encompasses Melrose's near-term emission targets.
Long 2030–2050	Encompasses Melrose and the UK Government's Net Zero by 2050 target and other long-term policy trends.

Transition Risks and Opportunities

The speed at which the economy decarbonises will determine the severity and impact of climate transition risks, as well as the ability to capitalise on the opportunities related to the transition to a low-carbon economy. The TCFD framework defines transition risks in four categories (Policy and Legal, Market, Technology, and Reputation) and transition opportunities in five categories (Resource Efficiency, Energy Source, Products and Services, Markets and Resilience). As part of our transitional scenario analysis, we considered risks and opportunities within these nine categories and ranked them on their impact and likelihood to Melrose. Several other risks and opportunities were considered and analysed but only the most material have been disclosed. The assessment of risks and opportunities was carried out at a gross level, meaning the impacts of the risks and opportunities assumed no mitigating actions are already in place.

To understand our business resilience to future climate scenarios, in line with the TCFD guidance, we used International Energy Agency's ("IEA")⁽¹⁾ Net Zero Emissions by 2050 Scenario ("NZE")⁽²⁾ and Stated Policies ("STEPS")⁽³⁾ climate scenarios to model transition risks and opportunities, and the Intergovernmental Panel on Climate Change ("IPCC") framework recommended scenarios. The climate scenarios we use are kept under review to ensure they remain viable, plausible and stretching.

(1) IEA (2022), Global Energy and Climate Model, IEA, Paris <https://www.iea.org/reports/global-energy-and-climate-model>.
 (2) NZE outlines a pathway for the global energy sector to achieve net zero CO₂ emissions by 2050, which limits the global temperature rises to 1.5°C by 2100, with 50% probability. This scenario is included as it informs decarbonisation pathways used by the SBTi.
 (3) STEPS outlines a combination of physical and transition risk impacts as temperatures rise by 2.5°C by 2100, with 50% probability. This scenario is included as it represents a midway path with the trajectory implied by today's policy settings.



Transition Risks

Risk type	Description	Mitigation	KPIs ⁽¹⁾
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EXPOSURE TO CARBON PRICING MECHANISMS

Policy & Legal	Increased operational exposure to carbon pricing mechanisms such as the ReFuel EU, EU Emissions Trading System, and CORSIA. Additionally, the impact will be felt in our value chain through the EU and upcoming UK Carbon Border Adjustment Mechanisms ("CBAM") applied through raw materials, such as aluminium, imported into our EU operations. The impact is likely to be felt through potential increases in airline ticketing prices and increased cost of raw materials from suppliers. The ultimate impact of increased prices is a dampening of growth in air traffic, leading to a reduction in future potential sales. Over time the adoption of carbon pricing instruments will increase, driving the price levels of all carbon pricing systems and therefore the overall risk exposure. NZE scenario predicts an increased number and ambition of carbon pricing mechanisms, meaning a higher exposure than in STEPS.	<ul style="list-style-type: none"> GKN Aerospace's supplier engagement target which will reduce exposure to carbon pricing in our value chain. GKN Aerospace's SBTi submission and Net Zero Transition Plan sets out ways in which we will decarbonise our operations and supply chain, reducing our emissions and therefore reducing our exposure to carbon pricing mechanisms. GKN Aerospace monitors exposure to potential future carbon price increases through the IEA World Energy Outlooks carbon prices. GKN Aerospace is an active member of the IAEG and receives regular updates through a newsletter on global environmental and chemical regulations, policies, and standards that is shared with key stakeholders. 	Scope 1, 2 and 3 emissions Carbon pricing market signals	<p>Potential impact: Higher costs</p> <p>Risk exposure: High</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>▼</p> <p>Scenario sensitivity</p> <table border="1"> <tr> <td>NZE</td> <td>STEPS</td> </tr> <tr> <td>●●●</td> <td>●●</td> </tr> </table>	Short	Medium	Long	2023–2025	2025–2030	2030–2050	NZE	STEPS	●●●	●●
Short	Medium	Long												
2023–2025	2025–2030	2030–2050												
NZE	STEPS													
●●●	●●													

REGULATORY CHANGES TO FLIGHT TIME AND ROUTES

Policy & Legal	The risk of an increased number of regulations that prohibit short haul flights could impact the number of conventional aircraft and components for conventional aircraft that are sold. NZE scenario assumes more ambitious sustainable aviation regulations, that could reduce certain flight routes, are brought in indicating a higher risk exposure than under STEPS. The regulatory changes transition risk affects domestic travel directly, while individual country policies can also have an indirect effect on international air travel.	<ul style="list-style-type: none"> R&D investment in low-carbon technologies such as battery electric and hydrogen can provide us with avenues to offset potential losses from conventionally powered aircrafts e.g., H2GEAR programme. GKN Aerospace is the leader in a major £54m technology programme, H2GEAR, to develop core capabilities in electrical power generation and cryogenic electrical distribution and motors in five years. H2GEAR aims to deliver a ground-based demonstration of a system capable of delivering 1MW of power, sufficient to support sub-regional aircraft and with the potential to be scaled to regional aircraft of up to 100 seats. Melrose's targets for decarbonising R&D and new products contributing to the decarbonisation of aerospace drive continued investment and efforts to become the most sustainable partner in the sky. Membership in industry bodies such as the IAEG helps GKN Aerospace stay aware of any incoming regulatory changes. 	Number of regulatory changes to flight routes and times	<p>Potential impact: Decreased revenue</p> <p>Risk exposure: Moderate</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>▼</p> <p>Scenario sensitivity</p> <table border="1"> <tr> <td>NZE</td> <td>STEPS</td> </tr> <tr> <td>●●●</td> <td>●</td> </tr> </table>	Short	Medium	Long	2023–2025	2025–2030	2030–2050	NZE	STEPS	●●●	●
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NZE	STEPS													
●●●	●													

(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.

Transition Risks continued

Risk type	Description	Mitigation	KPIs ⁽¹⁾
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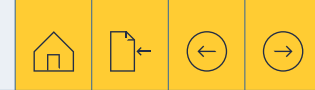
DECLINING DEMAND FOR LEGACY PRODUCT OFFERING AND DAMPENING OF AVIATION MARKET

Market	Changes to societal expectation and behaviour due to concerns about climate change may impact overall demand for air transportation and decrease demand for conventional products. If GKN Aerospace cannot improve alternative technologies such as electric or hydrogen aviation at the required rate there may be a demand curtailment of current products. NZE predicts a faster rollout of lower-carbon technologies meaning a greater exposure of risk than under STEPS.	<ul style="list-style-type: none"> To retain value in GKN Aerospace core products, investment in sustainable aviation fuels is a key priority. GKN Aerospace is actively engaged in key industry to government forums, such as the UK government Jet Zero Council, in order to build a clear strategy to deliver SAF at the scale required to retain this market value. A decrease in demand for conventionally powered aircraft will be offset by an increased demand in lower carbon technologies that Melrose is investing in through R&D and new product development. Engagement to ensure low-carbon aviation is at the forefront of regulators and governments minds to ensure sustainable growth in the aviation market. 	Aviation market growth predictions Potential impact: Decreased revenue Risk exposure: High Timeframe Short Medium Long 2023–2025 2025–2030 2030–2050 Scenario sensitivity NZE STEPS ●● ●● ●● ●●
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RAW MATERIAL AVAILABILITY

Technology	An increased focus on developing lower carbon aviation (battery and hybrid electric propulsion systems) causes demand in materials needed in these technologies to increase (Rare Earth Materials (“REM”), composites and titanium). Increased global conflict in areas where these materials are geographically concentrated could impact availability. NZE sees a greater demand for REM and other materials associated with lower carbon aviation, indicating a greater exposure of risk compared to STEPS. In addition, OEMs are already expecting manufacturers to increase use of additive manufacturing due to the much greater “buy-to-fly ratio” and also in the view of global concerns of security of supply.	<ul style="list-style-type: none"> Ensure reliable supply from alternative non-sanctioned markets. Increased focus on resource efficiency by recycling raw materials and therefore reducing the amount of virgin materials. For example, there is an increased use of recycled metals like aluminium being used in manufactured aerostructures. Increasing additive technologies being developed by GKN Aerospace with a capital investment plan in Sweden, as well as in the UK and the US. Over stocking on key materials to ensure a reliable supply. Increased investment in resource efficiency technologies such as nesting and additive manufacturing e.g., the Texas additive manufacturing centre of excellence for large-scale titanium aerostructures. Investment in composite recycling. 	Percentage of raw materials recycled Potential impact: Increased costs Risk exposure: High Timeframe Short Medium Long 2023–2025 2025–2030 2030–2050 Scenario sensitivity NZE STEPS ●● ●● ●● ●●
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(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.



Transition Risks continued

Risk type	Description	Mitigation	KPIs ⁽¹⁾
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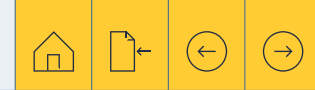
SUCCESSFUL ENTRY INTO SERVICE OF NEW TECHNOLOGIES

<p>Technology</p> <p>A lack of certification of aircraft with new technologies such as hydrogen and battery electric could impact the rate to which production demand is met. Certifying organisations, including the CAA and EASA, amongst others, have historically wanted to make decisions based on significant amounts of data but with new technologies, data availability is lacking. The lack of successful entry of lower carbon aviation could impact our ability to benefit from the transition to a lower carbon economy and more sustainable aviation. Under NZE, the rate of new technology certification will need to be high and delays in certification could cause a bottle neck in production, causing a high-risk exposure.</p>	<ul style="list-style-type: none"> • Collaboration with certification bodies is a key mitigation factor to reduce the potential delay in certification of new technologies. Certifiers are regularly invited to new aircraft testing. • Extensive use of both ground and flight validation of technologies is a critical step both in educating airworthiness authorities as well as building clarity of what will be required to be proven in full scale development programmes. GKN Aerospace is already planning a series of research tests with strong engagement with regulators in order to enable this. 	<p>Certification times of components used in low-carbon aviation</p>	<p>Potential impact: Reduced revenue</p> <p>Risk exposure: Moderate</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long							
2023–2025	2025–2030	2030–2050							

REPLACEMENT OF CARBON INTENSIVE MACHINERY

<p>Technology</p> <p>Risks associated with decarbonising of manufacturing processes and machinery that are carbon intensive to electric and energy efficient machinery will increase investment of capital. Currently, existing technology to electrify carbon intensive processes either do not exist or are expensive. NZE expects a faster decarbonisation pathway, meaning carbon intensive assets will need to be replaced quicker.</p>	<ul style="list-style-type: none"> • Electrification of carbon intensive manufacturing processes e.g., furnaces electrification. • Policies to replace older plant machinery with electric machinery and more efficient machinery. • Focus on additive manufacturing to reduce weight, lead times, tooling and inventory, and reduce CO₂ emissions by 70% compared with conventional manufacturing processes. • Out of autoclave composite technologies (such as RTM) have the potential to reduce energy consumption by up to 80% as well as the potential to eliminate carbon intensive energy supply. 	<p>Spend on new electrified machinery</p>	<p>Potential impact: Increased costs</p> <p>Risk exposure: Moderate</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long							
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Transition Opportunities

Opportunity type	Description	Strategy to capitalise	KPIs ⁽¹⁾
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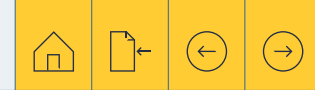
OPERATIONAL EFFICIENCY IN WATER, WASTE AND ENERGY

Resource Efficiency	<p>Actions to reduce waste, water and energy consumption and improve efficiency will provide incremental improvements to Melrose's emissions profile at limited cost to implement. Replacement of older and less efficient machinery with newer, more efficient, models as well as improved insulation in certain sites will provide opportunities to reduce emissions and costs.</p>	<p>Energy</p> <ul style="list-style-type: none"> Company-wide energy intensity reduction target. Employee engagement to reduce energy consumption such as the Project Orville scheme that encourages employees to make individual efforts to reduce energy consumption. Energy efficiency measures such as LED lighting installations, insulation of sites and booster systems to increase the energy efficiency of machines using compressed air. Transition to additive manufacturing processes will electrify hard metal manufacturing as well as significantly reduce net energy consumption. Transition of composite material manufacturing to out-of-autoclave will reduce energy consumption significantly. <p>Waste</p> <ul style="list-style-type: none"> Target to divert 95% of solid non-hazardous waste from landfill by 2025. Reduction and recycling of packaging such as the adoption of new cardboard shredders to reduce use of plastic at the Trollhättan site. <p>Water</p> <ul style="list-style-type: none"> 40% reduction in water withdrawal intensity by 2025. Water efficiency improvements at sites such as irrigation system leak identification at El Cajon. 	<p>Energy, waste and water consumption</p> <p>Potential impact: Reduced costs</p> <p>Opportunity exposure: Low</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>● ●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
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2023–2025	2025–2030	2030–2050							

MATERIAL EFFICIENCY IMPROVEMENTS OF RAW MATERIALS

Resource Efficiency	<p>Improved recycling of raw materials and investment in R&D relating to technologies such as additive manufacturing and nesting provides opportunities to reduce energy, emissions, waste and associated costs. Improved efficiency of raw materials specifically provides us with the opportunity to reduce our Scope 3 emissions associated with our purchased goods as it means less raw materials are purchased along with shorter supply chains. NZE sees greater focus and investment in life cycle sustainability, meaning a greater exposure to technology that can improve material efficiency compared to STEPS.</p>	<ul style="list-style-type: none"> Nesting technology enables the reduction of scrap raw material produced during cutting and optimises production. Additive manufacturing investments such as the PermanoVA acquisition, the additive manufacturing centre of excellence in Texas and collaboration with Northrop Grumman delivers additively manufactured alternatives to conventional forgings and castings, meaning reduced waste and consumables, and reduced impact of transportation through vertical integration. Recycling of virgin metals such as aluminium and titanium means raw materials stay within the aerospace industry, significantly reducing the amount of embedded carbon in raw materials consumed. R&D investment in composite recycling. 	<p>Percentage of raw materials recycled</p> <p>Potential impact: Reduced costs</p> <p>Opportunity exposure: High</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long							
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Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPIs ⁽¹⁾
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RENEWABLE ENERGY (PPAS AND INSTALLATION)

Energy source	The purchase of renewable electricity contracts or PPAs will allow for the reduction of emissions without the capital spend associated with onsite renewable energy installation. Electricity purchase agreements deliver real world GHG emissions reductions by displacing fossil energy sources in the grid systems where we consume electricity. Our US and European sites have easy access to renewable electricity contracts and whilst the cost of electricity under PPAs is variable, contracts can provide fixed costs over several year and reduce Scope 2 emissions to potentially zero. The Group is exploring options to install solar self-generation where possible. Solar installations will reduce reliance on the local grid, reduce GKN Aerospace's emissions and may provide operating cost savings. NZE sees more rapid scaling of renewable energy and grid electrification compared to STEPS.	<ul style="list-style-type: none"> Target to procure 50% of electricity from renewable sources by 2025. Plans are in place to transition the majority of our European and US sites to renewable energy contracts as well as the implementation of PV cells at appropriate sites. 	Percentage of renewable electricity	<p>Potential impact: Reduced costs</p> <p>Opportunity exposure: High</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long								
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IN FLIGHT EFFICIENCY

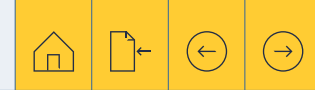
Products & Services	The use of advanced materials and engineering methods provides an opportunity for components to provide the same, or enhanced, performance while using less or lighter material and improving flight fuel efficiency. This can be through the use of composite materials or bonding technologies. Improving the fuel efficiency of engines also provides an opportunity to reduce fuel burn and increase flight efficiency. Increased demand for these technologies and heightened expectations to reduce emissions associated with flying will increase the exposure of this opportunity under NZE compared to STEPS.	<ul style="list-style-type: none"> GKN Aerospace has an extensive portfolio of research programmes exploring new design concepts, materials and manufacturing processes aimed at increasing air travel efficiency and reducing fuel burn. These include additive fabrication, resin transfer moulding, metallic and composite bonding and electrification of systems. The majority of these programmes are performed collaboratively with our airframe and engine customers and within funded multi-partner research programmes. 	R&D Horizon 1 and 2 programmes	<p>Potential impact: Reduced costs</p> <p>Opportunity exposure: High</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long								
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ACCESS TO NEW MARKETS THROUGH LOW-CARBON AVIATION

Markets	Both battery electric and hydrogen technologies provide potential new markets for GKN Aerospace. Electric technology opens up the potential of the commuter market (up to 400 nautical miles) as well as other regional routes. eVTOLs development also offers new markets in urban mobility that are low carbon, cheaper and quieter than current options. Hydrogen technologies can also offset the potential reduction in market share from conventionally powered engines as well as opening up the potential for a fragmentation of regional routes and an overall growth in regional aviation. NZE sees scaled investment in hydrogen and battery electric technologies, resulting in a greater exposure compared to STEPS.	<ul style="list-style-type: none"> Continued work as main partner in industry associations, such as the Jet Zero Council, the Aerospace Technology Institute, Swedish Aerospace Industries, Swedish Air Transport Society, the Dutch National Sustainable Aerospace Funding Programme ("LIT"), and the Aerospace Growth Partnership, where GKN Aerospace plays a key role in developing policy to support aviation's transition to Net Zero and the development of hydrogen-fuelled aircraft and leads on various policy topics such as the roadmap to fossil-free aviation. Continued investment in hydrogen propulsion technologies and the development of routes to exploitation. Global partnerships with electric aircraft manufacturers such as Joby, Eviation, Supernal and Lilium to work on experimental eVTOL and electric aircraft development. 	Revenue from products that contribute to low-carbon economy	<p>Potential impact: Increased revenue</p> <p>Opportunity exposure: High</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short</td> <td>Medium</td> <td>Long</td> </tr> <tr> <td>2023–2025</td> <td>2025–2030</td> <td>2030–2050</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p> <p>●● ●●</p>	Short	Medium	Long	2023–2025	2025–2030	2030–2050
Short	Medium	Long								
2023–2025	2025–2030	2030–2050								

(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.

Key — Anticipated onset of risks and opportunities ▼ Estimated full impact of risks and opportunities ●● High likelihood ● Low likelihood



Transition Opportunities continued

Opportunity type

Description

Strategy to capitalise

KPIs⁽¹⁾

TECHNOLOGICAL SOLUTIONS FOR CLIMATE CHANGE MITIGATION

Products & Services

Hydrogen technology

We view hydrogen technology as one of the most impactful ways of reducing the aviation industry's impact on climate. This opportunity manifests through an increased demand for hydrogen powered aircraft in both hydrogen electric and hydrogen combustion technologies. Hydrogen electric is seen as the most likely candidate for an earlier entry into service due to greater potential use in smaller aircraft which can be used as a proof of concept for larger aircraft. 80% of flights are less than 2,000km but these make up only 45% of CO₂ emissions. Just 10% of flights are more than 3,000km but account for over 50% of CO₂ emissions hence developing the technology to go further will yield significantly greater impact and market size. Hydrogen combustion provides an opportunity as it enables us to offset potential revenue losses from a decrease in conventionally powered aircraft. However, hydrogen propulsion is not without its challenges, both in the development of technology and also the availability, supply, infrastructure and renewable energy base required to enable widespread adoption. NZE sees scaled investment in hydrogen technologies, resulting in a greater exposure compared to STEPS.

- GKN Aerospace is involved in several R&D initiatives relating to fuel cell power, liquid hydrogen, hydrogen combustion and flight trials such as H2GEAR and H2 Flight Trial.
- The Horizon 3 team, which focuses on disruptive technologies, helps to focus Melrose's efforts into meeting our low-carbon R&D investment and new product decarbonisation targets.
- GKN Aerospace also works within the Jet Zero Council, the Aerospace Technology Institute and the Aerospace Growth Partnership to develop policy to support aviation's transition to Net Zero and the development of hydrogen-fuelled aircraft.
- It also carries out engagement activities with the industry to ensure low-carbon aviation is at the forefront of regulators and governments.

R&D investment in hydrogen and battery electric technologies

In-flight decarbonisation potential of products

Potential impact: Increased revenue

Opportunity exposure: High

Timeframe

Short Medium Long
2023–2025 2025–2030 2030–2050

Scenario sensitivity

NZE STEPS



Battery electric technology

Using batteries to power aircraft produces no in-flight emissions at all and offers fully net zero travel if renewable electricity is used. Power density limits the payload and range potential of this technology. Battery electric flight is likely to have only a small role in reducing aviation's impact on global warming, however, this new market area will be born green and offers the ability to develop capabilities with wider exploitation such as in commuter markets. NZE sees greater progression in battery electric technology than STEPS.

- Global partnerships with electric aircraft manufacturers such as Joby, Eviation, Supernal and Lilium to work on experimental eVTOL and electric aircraft development.
- GKN Aerospace is actively engaged with both customers and regulators to ensure low-carbon aviation is at the forefront of regulators and governments.

Potential impact: Increased revenue

Opportunity exposure: Moderate

Timeframe

Short Medium Long
2023–2025 2025–2030 2030–2050

Scenario sensitivity

NZE STEPS



Sustainable Aviation Fuels ("SAF")

SAF offers the potential to decarbonise the aviation industry, without any significant aircraft or engine technology development. The long-term focus for Melrose is on creating disruptive technologies to ensure airlines meet their net zero goals, considering both CO₂ and non-CO₂ impacts (aka "True Zero"). However, SAF can be used to fuel the existing fleet of approximately 25,000 aircraft around the world, significantly reducing aviation's impact without requiring fleet replacement with the associated environmental cost on natural resources and production emissions. Specifically, to GKN Aerospace, SAF provides an opportunity to continue to manufacture the same components while also reducing the environmental impact of aviation. Under NZE, significant investment into SAF infrastructure occur in comparison to STEPS.

- Test flights have been completed by GKN Aerospace using SAF in the Gripen aircraft.
- Development of the RM12 engine which can be powered by 100% SAF.
- GKN Aerospace is active with governments and policy makers to develop the right conditions within which SAF investment will be successful.

At the same time, the limitations of SAF's adoption related to the availability at the right price of the fuel driven means that high level of investment will be needed to ensure stable SAF production which may present certain potential limitations to the aviation growth.

Potential impact: Increased revenue

Opportunity exposure: High

Timeframe

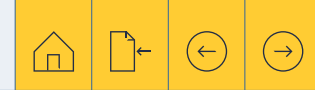
Short Medium Long
2023–2025 2025–2030 2030–2050

Scenario sensitivity

NZE STEPS



(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.



Physical Risks

As global temperatures rise, the frequency and severity of extreme weather events are expected to increase, resulting in a higher likelihood of disruptions to our global operations and supply chain. The Munich Re Location Risk Intelligence Tool has been used to assess current and potential future physical climate-related risks facing GKN Aerospace’s global facilities and key suppliers. We have assessed potential physical risks, both acute and chronic, at 42 GKN Aerospace sites, including potential material risks such as drought stress, tornados, storms, sea-level rise and flooding events among other hazards, while heat stress and fire stress were considered but were not deemed material for our operations. The revenue and property value of each site was considered to determine the materiality of identified risks to specific sites.

For the risks assessed we have chosen to use the best-case and worst-case scenarios as described below:

- **RCP 2.6** (approximately 1.8°C warming by 2100). A scenario in line with the United Nations Climate Change Agreement of 2015. According to the IPCC, it requires that Greenhouse gas emissions start declining immediately and go to zero by 2100. This relies on global implementation of stringent climate policies; and
- **RCP 8.5** (approximately 4.4°C warming by 2100). A “business as usual” high-emissions scenario. This scenario is consistent with no major policy changes or industry moves to reduce emissions globally leading to high atmospheric GHG concentrations.

We have considered three time horizons: 2030 (short term), 2050 (medium term) and 2100 (long term). This differs from our time horizons used for our transitional risk assessment as there are limited predicted material physical climate risks up to 2030 due to the delayed nature of modelled climate impacts.

Risk type	Description	Mitigation	KPIs ⁽¹⁾			
FLOODING (STORM SURGE, RIVERINE AND FLASH FLOOD)						
Acute	Risk associated with either costal or riverine flooding can cause damage to site infrastructure, products and equipment stored at sites. Floods can also cause disruptions to manufacturing output and delay production times. Riverine flooding in particular poses a risk to five sites, including Cowes, which are currently located in a 50-year return period zone. An additional one site is projected to also be in a 50-year return period zone by 2030 under RCP 8.5. Cowes and Papendrecht are the only sites which have been identified as being at extreme risk of sea level rise under both scenarios by 2100.	<ul style="list-style-type: none"> • Collaboration with local environment agencies and councils on flooding defences and prior flooding events. • Alternative suppliers are in place to replace key infrastructure that might be damaged. • Flood management plans include the training of teams to deploy flood barriers and raise at risk machinery above where flood waters could reach. • Safety reports take into account the impact of flooding in at risk sites. • Property damage and business interruption insurance specific to natural hazards. 	<p>Number of days operations are disrupted due to flooding events</p> <p>Potential impact: Increased costs and decreased revenue</p> <p>Risk exposure: Moderate</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short 2030</td> <td>Medium 2030</td> <td>Long 2100</td> </tr> </table> <p>Scenario sensitivity</p> <p>NZE STEPS</p>	Short 2030	Medium 2030	Long 2100
Short 2030	Medium 2030	Long 2100				

(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.

Physical Risks continued

Risk type	Description	Mitigation	KPIs ⁽¹⁾			
STORM						
Acute	Increased exposure to extreme weather events such as tornados, hailstorms and extratropical storms have the potential to impact the Company's operations and production processes through power outages as well as impacting access to sites through damage to local roads and infrastructure. 17% of sites, including Wellington, Dallas and Cromwell have been identified as having a high exposure to storm risk by Munich RE analysis. However, these sites collectively only account for 5% of revenue.	<ul style="list-style-type: none"> Alternative suppliers in place to replace key infrastructure that might be damaged. Incident Commander outlines approach to dealing with storm events such as internal emergency communication system for employees to be notified of hazards. Tornado shelters are available for employee safety at impacted sites. Use of semi-generators for storms that are anticipated to cause power outages of more than 24 hours. The Garden Grove site has subscribed to county-wide emergency alert systems and its standard operating procedure to shelter under desks during storms. Property damage and business interruption insurance specific to natural hazards. 	<p>Number of days operations are disrupted due to storm events</p> <p>Potential impact: Increased costs and decreased revenue</p> <p>Risk exposure Low</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short 2030</td> <td>Medium 2050</td> <td>Long 2100</td> </tr> </table> <p>Scenario sensitivity NZE STEPS</p>	Short 2030	Medium 2050	Long 2100
Short 2030	Medium 2050	Long 2100				

SUPPLIER DISRUPTION FROM EXTREME WEATHER						
Acute	Increased extreme weather events such as flooding and storms cause supply chain disruptions or site shutdowns. This can impact the ability of suppliers to provide us with appropriate raw materials and other services needed to manufacture our products. However, at this stage, impacts have typically been limited.	<ul style="list-style-type: none"> Buffer stocks to protect manufacturing process from short interruptions. Supplier business continuity plans that include specific climate-related plans. Ability to switch to alternative suppliers in the event of an extreme weather event. 	<p>Number of days suppliers are disrupted due to extreme weather events</p> <p>Potential impact: Loss in revenue</p> <p>Risk exposure: Moderate</p> <p>Timeframe</p> <table border="1"> <tr> <td>Short 2030</td> <td>Medium 2050</td> <td>Long 2100</td> </tr> </table> <p>Scenario sensitivity NZE STEPS</p>	Short 2030	Medium 2050	Long 2100
Short 2030	Medium 2050	Long 2100				

(1) Performance measurements on specific KPI's are conducted through horizon scanning or internal KPI tracking.

Impact on strategy and financial planning

Climate change has a direct impact on product strategy, development and financial planning across Melrose. Our ambition is to produce long-term sustainable growth for the coming years through continued innovation and product quality across our engines and structures solutions, with fully integrated emissions reduction activities. In the short-term horizon, we do not anticipate any material changes in resource allocation or operational and capital investment to achieve our plans and targets.

The point in the value chain where our actions could have prominent potential impact is the emissions from our products through their design and manufacture. Our ongoing activities are on reducing the embodied carbon in materials we consume, as well as lowering emissions within our direct operations through developing manufacturing processes which reduce energy consumption and material waste, by recycling and reusing materials during the production phase. These activities are already aligned with our existing business targets and therefore are already part of our operational and innovation pipelines.



In 2023, Melrose invested £48 million on climate-related R&D programmes that primarily aim to develop technologies that help our customers improve energy efficiency and reduce GHG emissions compared with conventional technologies. For Scope 1 and 2 emissions reductions, our focus in the near term is on implementing our existing or developing new strategies to minimise emissions in operations that represent hard to abate carbon intensive assets, be it through the replacement of old equipment and machinery, energy efficiency programmes or certain upgrades to our existing procedures at plants. The impact of climate change on our supply chain has been considered as part of our submission of emissions reduction targets to the SBTi. A supplier engagement action plan has been developed which outlines how climate change considerations should be incorporated into procurement policies and encourages suppliers to have science-based targets. This shift towards climate-conscious procurement is indicative of a broader commitment to mitigating climate change and underscores the growing recognition of the environmental impact of supply chains in the global business landscape.

Overall, in the short to medium term, the resourcing for the implementation our net zero commitment is incorporated into the running and planned capex and spending. While projects currently planned for the medium and long term may be outside of the existing capex processes and will require additional funding which is yet to be determined, we believe that the actions we will directly take to reduce emissions in the short term will result in costs or impacts on revenues that are in line with those already in our strategy and growth projections.

→ Please see our 2023 Annual Report for further details on how climate change is taken into account in Melrose's Consolidated Financial Statements.

Resilience of the organisation's strategy to climate change

Melrose has not only invested in reducing its carbon footprint but has also shown adaptability by embracing renewable energy sources, improving energy efficiency, and investing in low-carbon products for its customers. While acknowledging the risks posed by climate change, we can conclude that our strategy is resilient to climate change with appropriate mitigating plans in play for identified risks and opportunities. We will continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework.

Our updated scenario analysis, which can be found on pages 26 to 33, posed key questions on how different physical and transitional scenarios would impact future revenue, production costs and the life of current assets. The limitations of the scenario analysis we carried out are:

- Scenarios often only provide high-level global and regional forecasts.
- Not all risks are easily subject to scenario analysis.
- Scenario analysis requires analysis of specific factors and modelling them with fixed assumptions.
- Impacts are to be considered in the context of the current financial performance and prices.
- Gross impacts are assumed to occur without the Company responding with any mitigation actions, which would reduce the impact of risks.
- Impacts are modelled to occur in a linear fashion, when in practice, dramatic climate-related impacts may occur suddenly after tipping points are breached.
- The analysis considers each risk and scenario in isolation, when in practice, climate-related risks may occur in parallel as part of wider set of potential global impacts.
- Carbon pricing is informed by the Global Energy Outlook 2022 report from the International Energy Agency ("IEA").



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.

B

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.

C

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

Climate-related metrics

We disclose a wide range of metrics associated with climate change, including GHG emissions by type, energy consumption by type, as well as renewable electricity consumption, water withdrawal and waste generation. Our overall emissions reduction targets are closely linked to our new strategy and business model of an aerospace focused organisation. The climate related targets reflect our strategy for addressing climate risks and capitalising on opportunities identified in our latest climate scenario analysis. The specific KPIs and metrics used to track the identified climate risks and opportunities are set out in the individual descriptions of risks and opportunities as demonstrated on pages 26 to 33.

Our energy consumption and emissions data, the statement of alignment with the GHG Protocol and statement on SECR disclosures can be found on page 36. We currently disclose Scopes 1 and 2 and applicable Scope 3 GHG emissions in line with the GHG Protocol methodology, representing a breakdown of the Group's emissions by type and intensity measurement. We review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based targets when required, to reflect significant changes to our company structure, methodology changes or errors.

Scope 1 emissions are emissions from sources that we own or control directly, and Scope 2 emissions are those that we cause indirectly as they come from where the energy is purchased and produced.

- Scope 1 emissions are primarily driven by our use of natural gas used in manufacturing processes and heating.
- Scope 2 emissions are tied to the electricity we use in our manufacturing processes, for example autoclaves.

Our Scope 3 emissions represent emissions outside of our direct operations and that occur in our value chains. In line with the Greenhouse Gas Protocol's "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", we evaluate GHG emissions from all 15 categories but report only on categories that are relevant and material to the Company. Aligned with the rest of the aerospace manufacturing sector, Category 11: Use of Sold Products is estimated to be our largest category of Scope 3 emissions from our initial calculations. Category 11 emissions associated with the use of GKN Aerospace products have been estimated but are not included in our emissions footprint. These emissions are classed as indirect as they indirectly consume energy during use (e.g., aircraft landing gear, fan blade and wings). Therefore, the indirect emissions are not within the "minimum boundary", and as such are listed as optional and excluded from our Scope 3 footprint and reduction target. All other downstream categories have been screened and deemed either negligible or not applicable to GKN Aerospace's value chain emissions. For a full breakdown of the Scope 3 categories please see the Annex on page 66.

The GHG emissions for Melrose, broken down by Scope 1, Scope 2 and select Scope 3 emissions, for 2022 and 2023, are set out in the table on page 36. In 2023, the Company reported a decrease in total absolute Scope 1 GHG emissions and a decrease in total operational energy consumption of 4% (based on the MWh of energy used across all of our locations).

Scope 3 emissions show an increase in 2023 versus 2022, largely due to increased spend against Purchased Goods and Services and Capital goods (both categories were calculated using the "spend based" approach). Business Travel emissions also increased year-on-year with travel reverting to pre-COVID-19 levels in 2023. We expect Scope 3 emissions to fluctuate in future years as the quality of our reporting improves.

In 2023, operational energy consumption decreased in absolute and associated intensity ratio terms compared to 2022. This is reflective of the fact that revenue has increased at a higher rate than energy consumption year-on-year. Decreases in Scope 2 emissions are due in part to increases in use of renewable electricity. The Group's chosen intensity ratio is energy consumption and emissions reported above normalised megawatts usage ("MWh") and tonnes of CO₂e per £1,000 of revenue⁽¹⁾, which we believe remains the most appropriate intensity ratio for Melrose.

(1) The data has been standardised from the source units in which it was initially collected. The revenue figure used to calculate the intensity ratio include continuing businesses only and do not include any share of revenues from entities in which the Group holds an interest of 50% or less.



Total energy consumption and GHG emissions for the period 1 January 2023 to 31 December 2023

Energy consumption (MWh)	UK	Global (excl. UK)	Total 2023	UK	Global (excl. UK)	Total 2022	Change (2023/22)
Total operational energy consumption	90,949	477,184	568,133	94,218	495,638	589,856	-4%
Total renewable energy consumption			121,917			106,843	14%
Share of renewable electricity in total electricity mix			34%			29%	5%
Energy consumption intensity			0.170			0.200	-15%
Fuels							
Total fuels consumption	37,155	140,490	177,645	38,236	147,025	185,261	-4%
Non-renewable fuels consumption	37,155	140,490	177,645	38,236	147,025	185,261	
Renewable fuels consumption							
Electricity							
Total electricity consumption	53,794	300,350	354,144	55,982	313,663	369,645	-4%
Renewable electricity consumption (self-generated, purchased or acquired)	0	121,917	121,917	0	106,843	106,843	14%
Non-renewable electricity consumption (purchased or acquired)	53,794	178,433	232,227	55,982	206,820	262,802	-12%
Steam							
Steam consumption (purchased or acquired)	0	36,344	36,344	0	34,950	34,950	4%
Operational emissions (tCO₂e)⁽¹⁾							
Scope 1: Direct GHG emissions ⁽²⁾	6,858	26,739	33,597	7,204	27,939	35,143	-4%
Scope 2: Indirect GHG emissions (Location-based) ⁽³⁾	10,788	102,260	113,048	12,351	106,578	118,929	-5%
– Total purchased electricity	10,788	95,731	106,519	12,351	100,611	112,962	-6%
– Steam (purchased or acquired)	0	6,529	6,529	0	5,967	5,967	9%
Scope 2: Indirect GHG emissions (Market-based)	19,643	84,746	104,389	20,442	94,802	115,244	-9%
– Total purchased electricity	19,643	78,217	97,860	20,442	88,835	109,277	-10%
– Steam (purchased or acquired)	0	6,529	6,529	0	5,967	5,967	9%
Total Scope 1 and Scope 2 emissions (Location-based)	17,646	128,999	146,645	19,555	134,517	154,072	-5%
Total Scope 1 and Scope 2 emissions (Market-based)	26,501	111,485	137,986	27,646	122,741	150,387	-8%
Emissions intensity⁽⁴⁾ (Market-based)			0.041			0.051	-20%
Upstream Scope 3 emissions							
– Category 1: Purchased Goods & Services			1,539,165			1,492,438	
– Category 2: Capital Goods			107,198			96,111	
– Category 3: Fuel & Energy Related Activities			26,314			37,361	
– Category 4: Upstream Transportation and Distribution			42,391			46,442	
– Category 5: Waste Generated in Operations			3,497			3,742	
– Category 6: Business Travel			13,185			7,964	
– Category 7: Employee Commuting			12,554			16,286	
Total Scope 3 emissions			1,744,305			1,700,344	2.6%
Total emissions							
Total Scope 1, Scope 2 (Location-based) and Scope 3 emissions			1,890,950			1,854,416	2.0%
Total Scope 1, Scope 2 (Market-based) and Scope 3 emissions			1,882,291			1,850,731	1.7%

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

(2) Scope 1 figures include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.

(3) Scope 2 figures include emissions from electricity and heat purchased.

(4) Company's chosen intensity measurement: emissions reported above normalised tonnes CO₂e per £1,000 revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.

This section has been prepared for the reporting period of 1 January 2023 to 31 December 2023. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting ("SECR") requirements. These emission sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Consolidated Financial Statements.

Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol ("GHG Protocol"), Revised Edition and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol. The statement of alignment with the GHG Protocol and statement on SECR disclosures can be found in our Annual and Sustainability Reports. We currently disclose Scope 1 and 2 and select Scope 3 GHG emissions, representing a breakdown of the Group's emissions by type and intensity measurement.

Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (the Department for Environment, Food and Rural Affairs ("DEFRA") factors) have been used to calculate Scope 1 emissions. Scope 2 emissions associated with the GHG Protocol "Location-Based" method have been calculated using International Energy Agency ("IEA") country-specific emission factors. Scope 2 emissions associated with the GHG Protocol "Market-Based" method have been calculated using residual mix emission factors from Association of Issuing Bodies 2022 ("AIB") where applicable. In the absence of residual mix emission factor availability, International Energy Agency ("IEA") country specific emissions factors have been used in line with the GHG Protocol guidance. If sites generate their own renewable electricity or purchase electricity backed by contractual instruments (such as Renewable Energy Guarantee Origin), this has been taken into consideration within the calculations. For Scope 3 emissions, we reported in accordance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Protocol Technical Guidance. Emissions factors from DEFRA and the Aerospace Industry Tool for Calculating Scope 3 Greenhouse Gas Emissions have been used to calculate Scope 3 emissions. A Scope 3 inventory was carried out and the relevant categories were calculated using a combination of spend based and average data based methodologies. Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose any restatements in a timely and transparent manner.

Our overall emissions reduction targets are closely linked to our new strategy and business model of an aerospace focused organisation. The climate related targets reflect our strategy for addressing climate risks and capitalising on opportunities identified in our latest climate scenario analysis. The specific KPIs and metrics used to track the identified climate risks and opportunities are set out in the individual descriptions of risks and opportunities as demonstrated on pages 26 to 33.

Climate-related targets

In order to reflect Melrose's transformation into an aerospace focused business, our Group sustainability targets have been reset to align with GKN Aerospace's sustainability ambition, the macroeconomic and broader industry drive for advancing the environmental and social improvements in the aerospace sector at large. Our new 2025 sustainability targets are more ambitious to ensure that we set the right foundations to keep up the pace of improvement in the coming years.

GKN Aerospace has set near and long-term science-based emissions reduction targets which were submitted to the SBTi in 2023 for anticipated validation in 2024. Until the point of validation, they are subject to change. GKN Aerospace's sustainability function is responsible for achieving the targets. SBTi requires that science-based targets are recalculated to reflect material changes in climate science and business context to ensure their continued relevance. SBTi stipulates that targets shall be reviewed, and if necessary, recalculated and revalidated every five years at a minimum. Emissions data is reported quarterly as part of our internal system which enables us to monitor and assess performance against our targets. Revisions of targets will be conducted as and when necessary and updates on progress towards achieving them will be reported on at least an annual basis within our Annual and Sustainability Reports.



Our new 2025 sustainability targets are focused on short-term tangible improvements, as this is where we believe our focus should be right now."

Our Group climate-related targets are:

↓50%

Reduce Scope 1 and 2 emissions intensity by 50% by 2025 from a 2020 base year.

80%

Maintain 80% of total R&D expenditure on climate-related R&D per year to contribute to aerospace decarbonisation by 2025 from a 2020 base year.

95%

Divert 95% of our solid non-hazardous waste from landfill by 2025 from a 2020 base year.

50%

Source at least 50% of our electricity from renewable sources by 2025 from a 2020 base year.⁽³⁾

100%

Achieve 100% of new products which contribute to aerospace decarbonisation by 2025 from a 2020 base year.

↓40%

Reduce water withdrawal by 40% by 2025 from a 2021 base year.

Climate targets submitted to SBTi for validation

↓50%

GKN Aerospace commits to reduce absolute Scope 1 and 2 GHG emissions 50% by 2030 from a 2020 base year.⁽¹⁾



↓25%

Reduce absolute Scope 3 GHG emissions⁽²⁾ by 25% by 2030 from a 2022 base year.⁽¹⁾

70%

Encourage 70% of suppliers by spend, covering purchased goods and services, to have science-based targets by 2028.⁽¹⁾

Net Zero

GKN Aerospace commits to reach net zero GHG emissions across the value chain by 2050.⁽¹⁾

(1) As submitted to the SBTi for validation.

(2) Covering Fuel- and energy-related activities (not included in Scope 1 or Scope 2), Upstream transportation and distribution, Waste generated in operations, Business travel and Employee commuting.

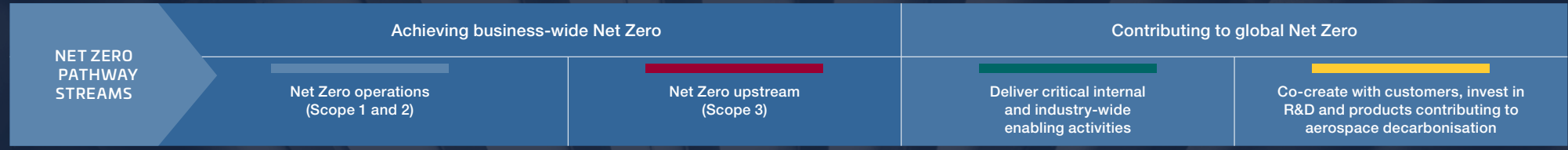
(3) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.

NET ZERO ROADMAP

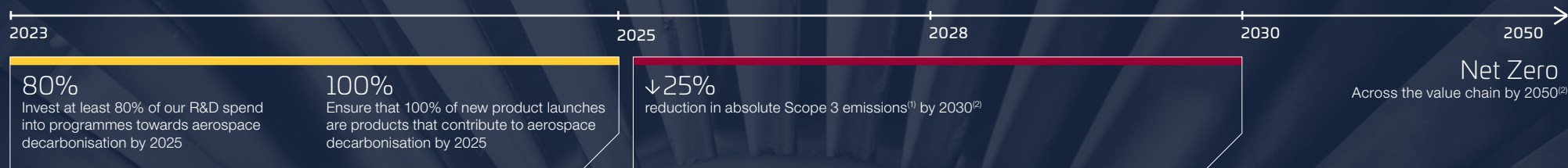
AMBITION

GKN AEROSPACE'S MISSION IS TO BE THE MOST TRUSTED AND SUSTAINABLE PARTNER IN THE SKY

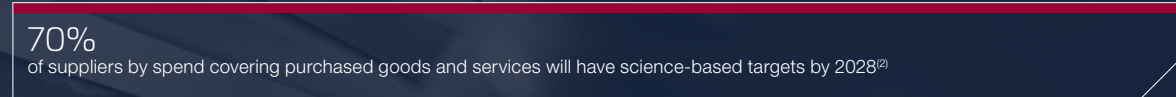
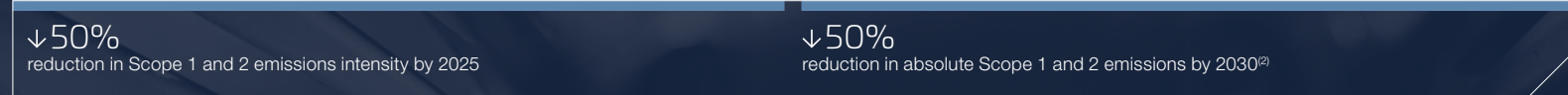
Its ambitious targets to reduce direct environmental impact on climate and the environment are supported by strong governance foundations, focused investment and strong industry leadership. By taking a global value chain approach through collaboration with customers, suppliers and partners alike, it will seek to minimise the collective impact of the aerospace sector to enable global aviation to achieve Net Zero by 2050.



CLIMATE TARGETS AND COMMITMENTS



Creating and fostering the internal foundations and productive industry engagement to drive decarbonisation efforts



DRIVERS

- Improving energy efficiency of our assets
- Green optimisation of operations and sites, including equipment and machinery
- Reducing other Scope 1 emissions
- Greening our purchased electricity mix

- Reducing Scope 3 emissions⁽¹⁾
- Increasing our investment in additive manufacturing, energy efficient composite technologies, bonding and nesting technology and investment in raw material and composite recycling innovation programmes to help reduce Scope 3 Category 1 emissions in the long-term (waste as resource)

- Continued engagement with industry, government and public sector, enabling customers to launch new aircraft and engine platforms with a significant reduction in inflight emissions, through the provision of our innovative technologies

- Continued partnerships with customers on innovation and climate action for sustainable aviation and supporting them in achieving their own net zero ambitions without compromising business success and profitability

(1) Covering Fuel- and energy-related activities (not included in Scope 1 or 2), Upstream transportation and distribution, Waste generated in operations, Business travel and Employee commuting.
 (2) As submitted to the SBTi for validation.

ENERGY EFFICIENCY

In 2023, GKN Aerospace developed and set a company-wide energy intensity target to drive more efficient use of electricity, fuel and heat across the business. Not only has this resulted in an absolute reduction in consumption, but employees are now also more aware and supportive of company-wide sustainability ambitions. Complementing this target is an effort to increase renewable energy procurement and implement other climate-positive actions such as sustainable transport initiatives.

Type of energy efficiency programmes	2023	2022
LED lighting retrofits	£790,000	£900,000
More efficient air conditioning and heating systems	£410,000	£1,250,000
Renewable energy installations	£600,000	£5,000
Insulation improvements	£250,000	£700,000
Energy efficient equipment	£960,000	£2,360,000
Total	£3,010,000	£5,215,000



Notable examples of initiatives and activities in 2023:

Manufacturing processes

In 2023, there was an ongoing focus on minimising energy losses within our manufacturing processes. These include improving the efficiency of machining operations, increasing utilisation of autoclaves to minimise consumption per component and reducing energy loss due to compressed air leaks across the business. Third-party and internal efficiency assessments have been carried out, combined with sharing best practice for detection and prevention of compressed air leaks using methods such as infrared thermal imaging cameras, timers, and manual shut-offs at multiple sites. Implementation of these techniques has reduced the time taken to detect leaks and rapidly get them repaired, reducing energy loss.

Multiple small scale site-specific manufacturing improvement projects have been executed to reduce energy consumption in 2023. For example, a project in Munich was carried out to amend the positioning of vacuum hoses to reduce the chance of component damage. This modification resulted in a 2% reduction in energy consumption per annum at the site.

Lighting retrofits

Installation of LED lighting across GKN Aerospace sites as outlined in 2022 is nearly complete with a small number of sites still working on installations at their facilities.

GKN Aerospace's site in Filton, United Kingdom made use of hundreds of LED lights from the closed GKN Aerospace site in Kings Norton, replacing old, motion sensor fluorescent lights, realising significant cost savings, improved output and quality of lights, while at the same time, avoiding 2 tonnes worth of electrical waste. Installation cost £23,500, however, savings of over £26,000 and 90 MWh are expected in the first year.

Renewable energy installations

In 2023, GKN Aerospace continued to implement various solar panel projects. Solar panels were installed at the Trollhättan site and projects at Chihuahua, Bristol GTC and Pune are due to go live in the first quarter of 2024. Also in 2023, the site at Cowes started construction of a solar panel field capable of generating 20% of annual site consumption which will also be connected to the grid in early 2024 and will realise savings of around £380,000 in the first year.

Use of and investment in energy efficient equipment

With aging hardware and multiple data centres scattered across the US, in 2023 GKN Aerospace decided to build one central and more sustainable data centre. This project delivered a major step-up in terms of the IT infrastructure capability for the region and will provide a stable platform for years to come. All of this has been completed with the overriding principle of sustainability, delivered through more energy efficient equipment which has reduced power consumption and a transition to a guaranteed sustainable power source delivered by our global colocation partner Equinix.

In a similar vein, a new global printer contract was signed, removing 50% of the printers we have on site and installing more energy efficient units. Many such initiatives have been deployed across the business, for example, an energy saving initiative "Orville" providing visual reminders for each individual to play their role in reducing energy consumption and removal of traditional desk phones which consumed power but were no longer utilised since the emergence of more powerful video conferencing capabilities.

Site specific energy efficiency upgrades included 13 old fume hoods with a high consumption of ventilated air and electricity being replaced in Trollhättan. The primary reason was to provide significantly safer handling for personnel with various alarms, position settings, cleaning systems and sensors. However, in addition to the safety and work environment benefits, the new fume hoods have significant lower energy usage with estimated savings of 390,000 kWh.

Reducing the impact of employee transportation

GKN Aerospace continues to promote more sustainable modes of transportation for employee commuting. For example, at sites in the Netherlands, from 2024 only electric vehicles will be issued to employees.

Improvements to building insulation and design

A number of GKN Aerospace sites implemented green retrofits to their buildings in order to improve energy efficiency in 2023. Insulation projects included installation of triple glazing windows at the Trollhättan site in an office building housing over 200 employees, external insulation added to the roof at North Charleston, re-roofing at Papendrecht and refurbishment and replacement of windows at the Filton site.

Efficient air conditioning and heating systems installation

A number of GKN Aerospace sites have upgraded their air conditioning and heating systems in 2023. For example, North Charlestown is in the process of implementing heat exhaustion systems for machines that generate excess heat. Exhausting the heat will reduce the need for cooling costs at the facility. Air conditioning replacements at Langfang have reduced energy consumption by over 2,000 kWh, whilst updating air conditioning settings at Papendrecht, Pune, Filton, Izmir, Orangeburg, Munich, Bristol GTC and Chihuahua has led to increased energy efficiency.



Other activities

A series of other projects have been implemented in 2023 across the GKN Aerospace sites to reduce energy consumption. These included an energy saving awareness training campaign for all employees rolled out by the Health, Safety and Environment (HSE) team, sites collaborating with their local catering suppliers to inform colleagues about the footprint of various meals and providing less emission-intensive options, and certain improvements to the planning and routing of owned trucks to reduce total mileage and therefore corresponding fuel consumption and emissions. Increased awareness of energy consumption across sites has also resulted in improved performance tracking. At the site in Munich, Germany for example, a lack of data transparency from the landlord resulted in smart metering tools being implemented to measure live data from machinery. The site has subsequently developed an associated dashboard, providing real-time insights into the largest energy consumers and thus guiding energy reduction initiatives.



WATER

WATER MANAGEMENT

Water is an essential resource for production processes within GKN Aerospace's operations. It is acknowledged that water scarcity is a global challenge and thus water conservation is an increasingly important topic for our business and stakeholders. Our Water policy is centred around two key principles of ensuring that we remain resilient to any risks associated with water by minimising potential impacts on water availability and quality, facilitating business contributions to addressing water challenges and improving water management practices.

The GKN Aerospace sustainability function has overall responsibility and oversight of the Group Water Policy. The executive management team of each GKN Aerospace business line has direct responsibility for ensuring effective management of their respective water-related risks and opportunities throughout operations and with suppliers. The requirements under our Water Policy are supported by a Group-level target of a 40% reduction in water withdrawal intensity by 2025 (reported above normalised m³ per £1,000 of revenue), and a process-oriented drive within our Water Stewardship Programme.

Water withdrawal data is presented in the table below, showing a decrease in total water withdrawn by the business in 2023 compared to 2022. In 2023, the largest proportion of our water is withdrawn in North America and Europe. The decrease in the water intensity is reflective of an increase in overall revenue and due to several water withdrawal reduction strategies that are in place, especially in North America where particular success was noted during the reporting period.

Melrose Group water withdrawal⁽¹⁾ data for the period 1 January 2023 to 31 December 2023

Cubic metres	2023	2022	Change (2023/22)
Water withdrawal (m ³) in operations ⁽²⁾	1,271,189	1,372,693	-7%
North America	898,257	1,009,825	-11%
South America	7,272	6,446	13%
Europe	333,078	324,929	3%
Asia	32,582	31,493	4%
Company's chosen intensity measurement:			
Water withdrawal (m ³) per £1,000 revenue ⁽³⁾	0.379	0.465	-18%

GKN Aerospace's operations use water in production processes to dilute coolant used in machining, during cleaning cycles, polishing and chemical treatment processes. In addition, water is required for staff hydration and hygiene. To date, GKN Aerospace has not been subject to conditions where water scarcity had led to interruptions in operations, however, we are aware of the possibility of operational interruption and are planning to reduce our water withdrawal to reduce the stress on water supplies.

In 2023, we further advanced the analysis of our operations by assessing which operational sites are situated in future projected water stressed⁽⁴⁾ areas. Our manufacturing and office sites⁽⁵⁾ were reviewed to identify operations in areas of "high" (40%-80%) or "extremely high" (>80%) baseline water stress, according to the Water Research Institute ("WRI") Aqueduct Water Risk Atlas tool. WRI defines these areas as those where human demand for water exceeds 40% of resources. We have identified that 26% of our current sites are located in areas of "extremely high" water stress, and a further 13% are currently located in areas of "high" water stress using 2050 projections.

We have classified our sites on their baseline water stress, a measurement based on withdrawal volumes and exposure to water-related risks. Our top ten water withdrawal sites account for 87% of our total water withdrawal, of which four sites are in high or extremely high water stressed areas. These four sites are all located in the US and will be prioritised for further engagement to understand their patterns and further exposure to water-related risks with a view to mitigating their potential impact in their respective local areas. 56% of our sites are considered regular facilities under this classification, whereby they have low to medium water withdrawal volumes and are not exposed to any water-related risks. Water management success case studies are shared across environmental managers to ensure that best practice is widely adopted.

Some sites have already started to explore initiatives which can reduce water usage. El Cajon, for example, has achieved a 14% reduction in water use between 2022 and 2023 as a result of operational improvements such as maintenance and adjustments of irrigation systems, increased surveillance to avoid leaks and improved maintenance of cooling towers. This has helped to achieve an almost 18,000m³ reduction in water use. The Garden Grove site has reduced the rate of regular drain flushing required to prevent blocking, and reduced water use by over 50% which has saved over \$45,000 in costs. Processes at other large sites such as St Louis and Papendrecht also use higher water volumes. At St Louis, reduction in water flow in off-shift time has resulted in a water saving of over 21,000m³. The Papendrecht site collaborated with customers to reduce acidity requirements in manufacturing processes which has in turn reduced water requirements and saved over 7,500m³. Water management success case studies are shared across environmental managers to ensure that best practice is widely adopted.

(1) For these purposes, water withdrawal is defined as the sum of all water drawn into the boundaries of the organisation (or facility) from all sources or any use over the course of the reporting period.

(2) Data was collected from 100% of sites across the Group in 2023 and 2022.

(3) The Group's chosen intensity ratio is water withdrawal reported above normalised m³ per £1,000 of revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.

(4) For these purposes, baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies.

(5) For these purposes a "site" is defined as a manufacturing site or office that is under the operational control.



CIRCULARITY

PRODUCT LIFE CYCLE MANAGEMENT AND CIRCULAR ECONOMY

The global production system promotes a transition away from the linear model towards maximising resource intensity and value addition. Business processes for technology selection, new product development and supplier selection have been updated to incorporate sustainability requirements, to ensure that the life cycle implications are understood as part of any selection decision. We assess the impact of our products on the environment in terms of material usage, waste, energy usage and CO₂ emissions throughout products' life cycle. The Melrose Skills fund has been utilised to develop a life cycle assessment process and associated training programme to facilitate these assessments on existing and new products, facilitating better informed climate-related decisions. Across the business, life cycle assessments have been completed for products sold in 2023, representing 7% (of total revenue). These LCAs have provided insight into the climate impact of these products and the resulting improvement actions. These include taking account of weight as a design requirement, prioritising suppliers with green energy mix, encourage the use of local suppliers, reduce material transport by air, go to water-based instead of solvent-based materials, reduce process steps (e.g., drying) and optimising process cycles.

Although numerous circular loops exist in GKN Aerospace's operations, including the recycling of waste and water, we need to go beyond the basic recycling and diversion from landfill. The objective is to give the same level of attention to the quality of metal chips as we do to our primary products because the level of emissions embedded in the manufacture of such materials can far exceed the emissions generated in their subsequent use. Therefore, we are committed to implementing material-efficient manufacturing practices and maintaining awareness of the quality of the waste circulating in and out of our premises. Just as our components maintain high quality, we aim to ensure the same standard for our waste. This approach increases the likelihood of material waste to circulate back to us for bringing it back into the production cycle.

By increasingly incorporating circular economy principles into design and manufacturing processes, we are reducing our environmental impact and deliver products to end-markets with increased durability and longevity, reduced emissions and waste. By way of example, GKN Aerospace's continued innovation in Additive Manufacturing has enabled its development of a leading Fan Case Mount Ring ("FCMR") structural design. GKN Aerospace's fan blade housing structure allows significant reduction in source material use, energy consumption and product weight, with a view to reducing Greenhouse gas emissions in both the manufacturing process and across the product lifecycle. GKN Aerospace's new fabricated FCMR promotes resource efficiency by reducing the buy-to-fly ratio from 15 in the original design to five. This represents a 60% reduction in material waste, which will save over 90 tonnes of forged titanium annually.

In 2023, we also further matured a new material option for use on tertiary or lightly loaded aircraft structures. Recycled thermoplastics take waste material from scrapped parts or trim from the normal production process and converts that into a press-formable material that can be used to produce parts such as covers and fairings for new aircraft. The ambition is to develop this material to offer such products on new development programmes, whilst simultaneously reducing waste through recycling.

Additionally, in line with the circular economy principles, GKN Aerospace's maintenance, repair and operation ("MRO") services aim to enable products to be reintroduced into the production cycle and thereby extending product lifetime instead of disposal at the end of useful life. This approach will gradually lead us to a shift from quantitative-based concept of "expansion of recycling industry" to the pursuit of optimum resource recovery quality through "waste as resource".

BIODIVERSITY

We recognise the importance of biodiversity and how fundamental it is to our society and are committed to playing our part in preserving biodiversity for the benefit of future generations. Our Biodiversity policy sets out the foundational principles in promoting the growth of the natural world and helping prevent deforestation. The Group Biodiversity policy can be found on our website.

In 2023, we started a top-down assessment⁽¹⁾ to identify the physical risks associated with our operational sites, namely the ways in which our operations depend on and impact nature and surrounding ecosystems.

The initial analysis showed the operational sites, based on their location and industry specifics, with the highest risk of direct pressures on biodiversity. Of 30 industrial sites, five have a high physical risk score and 25 have a medium physical risk score. The analysis also indicated pollution and high risk of natural disasters as other relevant impact indicators to our operations.

GKN Aerospace's sites are mostly located in industrial zones and operate under general binding rules. Permitting processes which review the impact of our emissions on the environment and set limits to prevent harm to the surrounding environment provide the necessary safeguards against extreme natural events. Through this, we ensure that our sites do not adversely affect the integrity of a geographic area, local communities or change its ecological features and functions, meaning that the operation of our sites should not contribute to any net loss in biodiversity.

We continue to further deepen our understanding of physical biodiversity risks and assess possible impacts of our operations.

→ To read our Biodiversity Policy, visit [melroseplc.net](https://www.melroseplc.net)

(1) Using the WWF Biodiversity Risk Filter at riskfilter.org.

WASTE

OPERATIONAL WASTE MANAGEMENT

In 2023, GKN Aerospace continued to make an active effort to reduce the amount of waste generated and to divert waste from landfill. To support this, we have a target to divert 95% of solid non-hazardous waste from landfill by 2025.

GKN Aerospace's waste generation data for 2023 shows an overall decrease in the solid waste generated compared to 2022 due to operational changes, improvements and a bigger focus placed upon waste by sustainability and environmental managers. Despite the decrease in absolute waste weight, there have been increases in the proportion of non-hazardous waste per revenue that is sent to landfill.

GKN Aerospace is running a number of significant operational improvements to reduce the impact of its waste and associated emissions in transportation of waste contents. An example of this has been seen at our Garden Grove site, whereby a creative solution has been implemented to enable the recycling of precious metal deposits resulting from vacuum deposition processes. Working collaboratively with suppliers that can reclaim these metals and recycle them for other purposes, the implementation of the metal reclamation process not only supports more environmentally friendly waste management but also financially benefitted the site, as it has already generated \$450,000 as a result of the process. This recovery will continue with ongoing benefits expected to be around \$250,000 – \$300,000 per year for the site. This approach has the potential to not only be replicated by other sites, but also by other industries where vacuum deposition of precious metals is required, which could lead to further significant environmental benefits.

Further examples include other various reuse and recycling initiatives, such as at our Trollhättan site which implemented a new process to reuse blasting media and made modifications to equipment such as converting materials into packaging which has resulted in potential significant cost savings related to new packaging materials, transportation and disposal services. This is estimated to reduce emissions significantly if rolled out across the majority of sites.

88%

solid non-hazardous waste diverted from landfill in 2023 against the 95% target by 2025

Melrose waste generation data for the period 1 January 2023 to 31 December 2023

Tonnes	2023	2022	Change (2023/22)
Total solid waste	17,547	50,526	-65%
thereof non-hazardous waste	15,781	32,884	-52%
thereof non-hazardous waste to landfill	1,893	2,628	-28%
thereof non-hazardous waste for recycling/reused	10,453	19,102	-45%
thereof non-hazardous waste incinerated	3,433	11,154	-69%
thereof non-hazardous waste incinerated with energy recovery	2	0	
thereof hazardous waste	1,766	17,642	-90%
thereof hazardous waste to landfill	952	1,192	-20%
thereof hazardous waste for recycling/treatment	632	16,450	-96%
thereof hazardous waste incinerated	182	0	
thereof hazardous waste incinerated with energy recovery	0	0	
Solid waste to landfill (hazardous and non-hazardous)	2,845	3,820	-26%
Solid waste diverted from landfill (hazardous and non-hazardous)	14,702	46,706	-69%
Solid non-hazardous waste diverted from landfill	13,888	30,256	-54%
Solid non-hazardous waste diverted from landfill rate	88%	92%	
Company's chosen intensity measurement⁽¹⁾			
Tonnes of solid non-hazardous waste per £1,000 revenue	0.0047	0.0111	-58%

(1) The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.

SOCIAL IMPACT

Promoting diversity, prioritising wellbeing, nurturing skills development and contributing to our communities is instrumental to the success of our business.

83%

Average response rate for employee engagement surveys we undertook in 2023

40%

Female representation on the Board, meeting the expectations of the FTSE Women Leaders Review



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SAFETY FIRST

The health, safety and wellbeing of all our employees and contractors has always been of paramount importance to Melrose. We understand the unique challenges and responsibilities that come with our industry, and we are resolute in our commitment to maintaining the highest standards in these areas. In the past year, we have continued to make significant strides in ensuring the wellbeing of our workforce and the safety of our operations.

Safety is paramount in our industry and thus our safety culture is ingrained in our business. We have established strong governance principles, robust policies and rigorous safety protocols, and invested in safety equipment whilst ensuring employees are equipped with the knowledge and skills necessary to perform their roles safely. We take a holistic approach to employee wellness, which starts with protecting their physical and mental health, protecting their social wellbeing and respecting their human rights, and extends to ensuring a positive workplace culture that attracts and retains a highly-skilled workforce.

We have a Group target to achieve and maintain an annual LTA Frequency Rate of below 0.1. This underpins our overarching commitment to stop all accidents from occurring, through the promotion of safe behaviours across all locations, and an enhanced focus on hazard identification and awareness. Health and safety management systems are supported by internal health and safety effectiveness audits, with regular oversight and challenge by the Melrose senior management team, quarterly reporting to the Board, and further regular oversight over any material incidents or issues that arise.

By maintaining an annual LTA Frequency Rate of below 0.1, we commit to stop all accidents from occurring through the promotion of safe behaviours across all locations, and an enhanced focus on hazard identification and awareness.

Group Health and Safety Framework



GKN Aerospace has adopted the Hoshin-Kanri method to identify and reduce health and safety risks. Health and safety metrics are reviewed and strategic targets have been developed and communicated across the Company, with a tiered review process in place. Health, Safety and Environment (“HSE”) Business line team meetings occur on a bi-weekly basis, and weekly meetings cover both previous months health and safety performance and presents a forward-looking view for the upcoming month. Any escalation of health and safety issues from the sites are raised through this process. HSE Directors validate all relevant metrics on a monthly basis and cascade in monthly reporting to the HSE Board and back through the monthly Business Review process. Controls implemented at sites are validated during on-site audits, leadership safety tours and monitored through DCS audit action plans. Where incidents have occurred, they are investigated and validated by the HSE Directors, who will brief Business Line Presidents with any actions/outcomes that need to be implemented. The HSE Directors will also ensure that safety alerts, lessons learned and good practices are cascaded out across the business. The highest management position accountable for health and safety is the CEO, who discharges these duties through the Senior Vice President for Corporate Risk Management, Assurance, Health, Safety, Security and Environment.

c0.04 LTA

In 2023, Lost Time Accident Frequency Rate was 0.053 (2022: 0.036) in line with our target to maintain an annual LTA Frequency Rate of below 0.1.

As at 31 December 2023, 30 sites (60%) (2022: 30 sites, 60%) (inclusive of office, production and testing sites) within the Group were certified to the ISO 45001 international standard, with additional relevant sites progressing towards accreditation. Third-party auditing on a three-year certification cycle is required to maintain ISO accreditation, with annual surveillance audits taking place in between to ensure standards are being maintained.

Health and safety performance

We are focused on cultivating a strong safety culture within our business through emphasising the importance of preventing incidents and implementing near miss reporting, which requires an enhanced focus on hazard identification and awareness. Behaviour-based programmes and continuous training and awareness campaigns remain central to the approach in improving safety performance.

Sites are expected to perform regular risk assessments and use a variety of health and safety KPIs which are specific to the exact nature of the business and its associated risks. To provide visibility and oversight for the Board, information is collated and presented to the Board on a quarterly basis on three key performance indicators⁽¹⁾ – Major Accident Frequency, Lost Time Accident Frequency and Accident Severity (each as defined on the left) – for the entire Group and covering all of our sites, and supplemented with qualitative analysis of any key incidents or drivers behind performance, and any material improvement programmes that are taking place. A variety of additional health and safety KPIs are used by GKN Aerospace from time to time, which are specific to the exact nature of operations and associated risks. Although responsibility for health and safety rests with the business units, in the unfortunate circumstance of a very serious incident, the Melrose senior management team will engage directly with the GKN Aerospace executive team and divisional presidents, reporting any actions taken directly to the Board.

(1) Including permanent employees only.

STRATEGIC OBJECTIVE

The Company has an objective to stop all preventable accidents and reports three KPI metrics⁽¹⁾ to track our progress.

TARGET

The Group has maintained an average LTA Frequency Rate of less than 0.1 in 2023, hence achieving the Group target for the year.

PERFORMANCE⁽²⁾

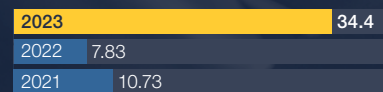
Major Accident Frequency Rate records the average number of LTAs that have resulted in more than three days off work (defined as “major” accidents), per 200,000 hours worked.



LTA Frequency Rate records the average number of LTAs, both major and minor, per 200,000 hours worked.



Accident Severity Rate records the average number of days an employee takes off work following an accident at work.



(1) Data has been restated for 2022 and 2021 to include GKN Aerospace and Melrose performance only and covers permanent employees.

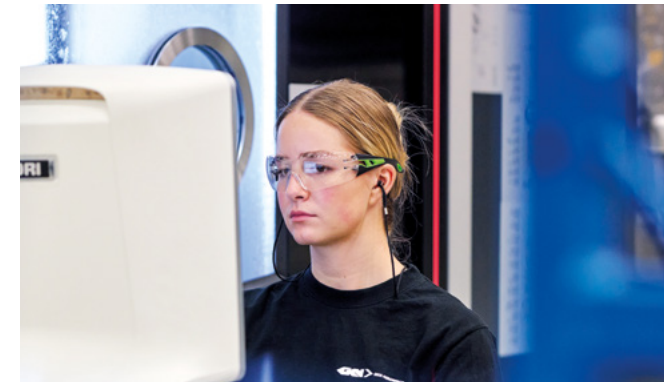
(2) Including permanent employees only.

The GKN Aerospace health and safety function continues to elevate health and safety awareness and accelerate improvement actions across operations. This is being approached both from the top-down, including via an active rolling programme of in-person executive-led site inspections and integration of health and safety in executive management discussions and enterprise projects, and from the bottom-up with a focus on improving shop floor behaviours, standards, and local management awareness and accountability for health and safety risks.

The Group’s Major Accident Frequency Rate has remained around 0.04 year-on-year, while Lost Time Accident Frequency Rate has increased. Specific lost time incidents at the Engines business line drove increases compared to 2022, which has led to significantly increased focus from the business surrounding compliance with GKN Aerospace’s Golden Safety Rules governance in order to drive physical safety improvements on the shop floor and to redouble communications around safety measures and risk assessments. This resulted in a proactive targeted drive to enhance risk management education throughout the organisation. This has been delivered through in-person and virtual task specific risk management workshops. The Accident Severity Rate, which is based on lost days, has increased year-on-year due to one isolated incident involving minor injury which resulted in an employee taking considerable time off in line with the local government policy for injury-related leave.

Each incident is promptly and fully investigated and responded to through robust measures to increase health and safety awareness within specific and similar areas relevant to those incidents, to reinforce the correct policies and procedures, and to review the relevant working environments to identify continuous improvement actions where necessary.

The Group’s trajectory of longer-term improvement continues, and our business lines continue to uphold and further develop high standards of health and safety performance. The general trend of improvement reflects the continued investment in health and safety initiatives across the Group and highlights continual improvement across the selected KPIs over the last three years, including the 20% reduction in total injury rate year-on-year. There were no fatalities in 2023.



HEALTH AND SAFETY HIGHLIGHTS

A summary of notable successes this year:

- Western Approach celebrated 5th year LTA free;
- Munich implemented high level vacuum hose installation, reducing slips, trips and falls by ~60;
- 26 Leadership Safety Tours;
- 17 audits have been completed – six were full audits and 11 were Golden Safety Rule Audits.

Health and safety training

Ongoing health and safety training is a key component of a robust safety culture and a prerequisite to achieving our Group LTA target. With all current employees receiving training on a regular basis, awareness of health and safety issues and the Group's policy on health and safety is also included in induction training for all new joiners across the Group.

GKN Aerospace conducts training for all employees at a local level which is complemented by an annual induction on the Golden Safety Rules. Compliance is validated through an internal audit process. In 2023, GKN Aerospace rolled out Task Specific Risk Assessment training to Team Leaders and HSE heads, as well as delivering the training to the first year of the graduate programme along with environment training.

Employee wellbeing

Melrose takes a holistic approach to employee management that recognises the importance of protecting employees' physical health, as well as their mental and social wellbeing. It rests upon three key areas of diversity and inclusion, effective employee engagement and ensuring health and safety conditions in the workplace. Employee wellbeing programmes are implemented at a business level to ensure that they are most impactful and relevant. This includes GKN Aerospace's Mental Health and Wellbeing Committee, which shares best practice in supporting employees with mental health and wellbeing initiatives in each region, and its ThinkHealth e-brochure, which highlights areas such as self-care and provides employees with information on support resources.

In all of GKN Aerospace's main operating countries, employees have access to Employee Assistance Programmes ("EAPs"), which are designed to help employees and their families deal with difficult life issues, ranging from counselling support, mental health and wellbeing advice and guidance on legal and financial queries, which is increasingly important against the backdrop of increased cost of living. The service is free and provided on a confidential basis, 24 hours a day, seven days a week. Employees are also encouraged to drive their own wellbeing initiatives.

OUR PEOPLE

Promoting diversity, prioritising and nurturing the wellbeing and skills development of our employees, and contributing to the communities that we are part of, is instrumental to the success of our business and our impact in the regions where we operate.

40%

female representation on the Board, meeting the expectations of the FTSE Women Leaders Review

>£5m

invested in workforce training in 2023

The Melrose Code of Ethics reinforces our sustainability principles and provides clear guidance as to how the Board and the Melrose senior management team expect business to be conducted, and the consequences of non-compliance. The Code of Ethics outlines the policies and procedures that Melrose has put in place to drive best practice in health and safety, wellbeing and training, and to promote diversity and inclusion throughout our business. The Code was approved by the Board and last updated in December 2022. It can be found on our website.

→ **To read our Code of Ethics, visit [melroseplc.net](https://www.melroseplc.net)**

To perform well and achieve our potential, it is important to nurture an engaged, capable and enthusiastic workforce. We want to ensure that we prioritise people, enabling them to enjoy the work they do, and that employees' safety and wellbeing is a priority. We value and champion diversity in its broadest sense and encourage working environments that nurture employees and encourage them to grow and act with integrity.

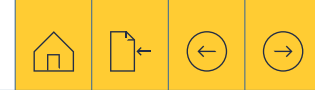


83%

Average response rate for employee engagement surveys in 2023



We recognise the importance of supporting the wellbeing and development of our employees, driving and maintaining a diverse, inclusive and safe environment."



Employee engagement

We recognise the importance of engaging with employees in a meaningful way to support their development and ensure that we provide the best working environment. Consultations with employees are held regularly to ensure that concerns are addressed in a meaningful and mutually beneficial way. In 2023, 72% of employees received performance reviews. Such consultations are performed through confidential and anonymous all-employee engagement surveys. The results are shared with the executive management teams, plant directors, HR teams and other people leaders, and are then further analysed through fora such as employee focus groups. Action plans are then developed to help address areas for improvement. The survey feedback and resulting measures are shared with employees through various engagement tools, such as town hall meetings.

In 2023, we conducted two employee surveys: the EngageMe Survey and the Pulse Survey. The EngageME Survey, which is based on the Gallup Q12 measurement system, achieved a response rate of 83% (2022: 79%). Overall engagement levels improved across the business, with engagement now at the 44th percentile of the global Gallup database compared with the 13th percentile in 2016.

The results of the engagement survey identified a number of areas where progress has been made, most notably relating to questions around belonging at work and recognition, and opportunities to grow, develop and progress at work. Individual team action planning sessions have been run across the business to address areas of improvement identified in the surveys.

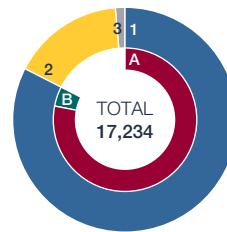
The annual Pulse survey is used as a temperature check on how well feedback and action planning are going and how much progress is being made against those action plans. Our participation in the 2023 Pulse survey was 78%, which improved from 75% in 2022. There is a clear correlation between managers and teams who have taken action as a result of previous surveys and improved engagement scores. There is also a clear and encouraging correlation between improved engagement and safety and quality performance.

The Workforce Advisory Panel ("WAP") enables key views of the workforce to be heard and considered by the senior management team, where it can have maximum impact. The WAP reports to the Board on an annual basis to provide visibility and oversight of key workforce views, which are then discussed and considered at Board meetings. The WAP comprises the Chief Human Resources Officer and Group General Counsel from Melrose and GKN Aerospace and other relevant internal stakeholders as required as the Group's new business strategy and integrated structure evolves. Each member of the WAP is responsible for promoting workforce engagement,

disseminating information and collating the voice of their workforce. They are also responsible for demonstrating how key workforce views are fed into executive management decisions, as well as ensuring that the workforce is aware of their impact on such decisions. Key workforce views in 2023 related to learning and development opportunities. Please refer to the Talent and career management section on pages 50 to 51 for examples of how this has been addressed.

We are committed to safeguarding the contractual and statutory employment rights of our employees through constructive relationships with employee representative bodies, including unions and works councils.

Group employees as at 31 December 2023



1 Permanent employees of which some are:	14,234
A Full-time employees	13,492
B Part-time employees	742
2 Temporary employees	2,786
3 Apprentices	214
Total	17,234

The rights of workers to participate in collective bargaining and their freedom of association is respected across the business. Workers are entitled to join or form trade unions of their own choosing and to bargain collectively where legally permissible within their jurisdiction. Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace. Trade union membership fluctuates year-on-year, depending on the Group composition. As of 31 December 2023, collective bargaining agreements are in place at all sites in the UK, the Netherlands, Sweden, Germany and Norway, with around 9,500 employees (55%) covered by either a collective bargaining unit, a national collective agreement or a union agreement. Melrose and GKN Aerospace pay all UK employees at least the real living wage, save for Apprentices, Interns and year-in industry students, who are paid in accordance with the national minimum wage rates for their age group. In addition, GKN Aerospace offer all employees in the UK the opportunity to work for at least 15 hours per week.

In addition to the thousands of employees embedded within the business who are inspired to identify sustainability opportunities, GKN Aerospace also has a network of over 50 sustainability champions who help coordinate and drive actions locally at sites. They represent an important coalition of people who facilitate information flows like posters, narrowcasting, lunch meetings and through local intranet sites. Local sustainability champions largely operate within their site and develop local initiatives, for example on energy efficiency, local charity and awareness programmes. The entire network comes together on a quarterly basis at the virtual Sustainability Network Event. There are also more than 30 employees who are active in sustainability workstreams which look to identify sustainability improvements through global processes, standards or policies. Workstreams provide employees the opportunity to work on specific sustainability themes like Energy, Waste, Emissions or Product Life Cycle Performance, and identify opportunities to make global improvements. Examples of deliverables from these workstreams are, for instance, the creation of a sustainability best practices platform, guidelines for LCA work, aircraft emission calculator and a sustainability guidebook for commercial managers.

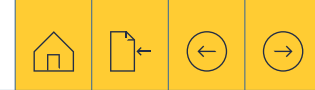
DIVERSITY, EQUITY AND INCLUSION

Driving and maintaining a diverse, inclusive and safe environment is a priority for us. We recognise the importance of diversity in building a high-calibre workforce and are committed to championing diversity in the broadest sense, be that along geographical, cultural or personal lines, and encompassing gender, race, ethnicity, country of origin, nationality, colour, social and cultural background, religion, family responsibilities, sexual orientation, age and disability.

We do so by ensuring that our employees' entry into, and progression within our business are based on aptitude and the ability to meet fair criteria outlined in job descriptions. For any employees with a disability, we take steps to ensure reasonable adjustments are made where required. 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 for disabled persons to be treated fairly, so that they can contribute on an equal-opportunity basis to business success, society and economic growth.

Our Code of Ethics highlights the importance of diversity and inclusion and is supported by our Board of Directors' Diversity policy and our Melrose Diversity, Equity and Inclusion policy, both of which are reviewed and updated where relevant and approved each year by our Nomination Committee. Copies of these policies can be found on our website.

→ To read our Data reports and policies, visit melroseplc.net



Promoting diversity at all levels

The Board is committed to furthering diversity at all levels. In particular, the last five Non-executive Director appointments have been female. Furthermore, two of the Committee Chair roles, the Chair of the Audit Committee and the Chair of the Nomination Committee, are held by women.

As at 31 December 2023, Melrose had 40% female representation on the Board (2022: 40%), which meets the expectations of the FTSE Women Leaders Review, as well as the target set out in the Financial Conduct Authority's Listing Rules (the "FCA Listing Rules"). The FTSE Women Leaders Review and the FCA Listing Rules also set a target for at least one senior board position, being that of Chairman of the Board, Senior Independent Director, Chief Executive, or Chief Financial Officer to be held by a woman (the FTSE Women Leaders Review having a 2025 target date). The Nomination Committee recognises that Melrose does not currently meet this requirement and, as noted in the Nomination Committee report in our 2023 Annual Report, this is being kept under review for future improvement. The Nomination Committee currently takes into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the overall Board composition. The Committee also strongly encourages executives to adopt the same approach when making appointments to the Melrose Executive Committee and the wider senior management team. The most important priority of the Committee, however, has been and will continue to be, to ensure that the best candidate is selected and this approach will remain in place going forward. In addition, Melrose continues to meet the expectations of the Parker Review, as well as the target set out in the FCA Listing Rules, of having one director from an ethnic minority background.

Below Board level, Melrose operates an Executive Committee which facilitates the development of a diverse pipeline for succession planning purposes. As at 31 December 2023, the Executive Committee and its direct reports consisted of 41% female representation (and 37% female representation specifically at an Executive Committee level). Melrose therefore currently meets the expectations of the FTSE Women Leaders Review.

Gender diversity as at 31 December 2023

	Number of Board members	Percentage of Board members	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management ⁽¹⁾
Men	6	60%	4	16	59%
Women	4	40%	0	11	41%
Not specified / prefer not to say	0	0%	0%	0	0%

Ethnic diversity as at 31 December 2023

	Number of Board members	Percentage of Board members	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority white groups)	9	90%	100%	18	67%
Mixed / Multiple ethnic groups	0	0%	0%	0	0%
Asian / Asian British	0	0%	0%	2	7%
Black / African / Caribbean / Black British	1	10%	0%	0	0%
Other ethnic group, including Arab	0	0%	0%	0	0%
Not specified / prefer not to say	0	0%	0%	7	26%

(1) Including direct reports.

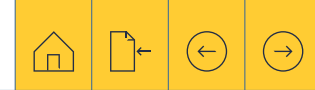
Melrose notes the recent recommendations of the Parker Review for FTSE 350 companies to set a percentage target for senior management positions that will be occupied by ethnic minorities in December 2027, with the target being set by 31 December 2023. The Nomination Committee and Board agreed that it was not feasible for Melrose to set a sufficiently informed ethnic diversity target for senior management by the end of last year. However, this target will be set during the course of 2024. Please refer to the Nomination Committee report in our 2023 Annual Report for further details.

The above tables provide a breakdown of gender and ethnic diversity at a Board and executive management level as at 31 December 2023. This information was collected by asking both the Board and executive management team to complete the same voluntary questionnaire. This questionnaire set out questions related to gender and ethnic diversity, as extracted from Acas's equality and diversity monitoring form template. In advance of circulating the questionnaire, Melrose engaged external legal advisors to ensure that the processes and procedures related to such data collection were compliant with applicable data protection laws and best practice.

GKN Aerospace has the ambition to increase the representation of all currently under-represented groups across the business. To proactively support this, in 2022 a dedicated Global Diversity, Inclusion and Belonging Manager was hired to promote diversity throughout the organisation. Initiatives include starting to baseline the extent to which GKN Aerospace employee ethnicity profiles match the communities in which they operate. In 2023, GKN Aerospace also developed and launched additional Diversity and Inclusion ("D&I") training for all employees and managers (via both e-learning and face-to-face training). This D&I training consists of five videos covering topics like bias, understanding difference and workplace culture. Team sessions have also been rolled out using a form of boardgame which allows teams to have more open and honest discussions about sensitive topics.

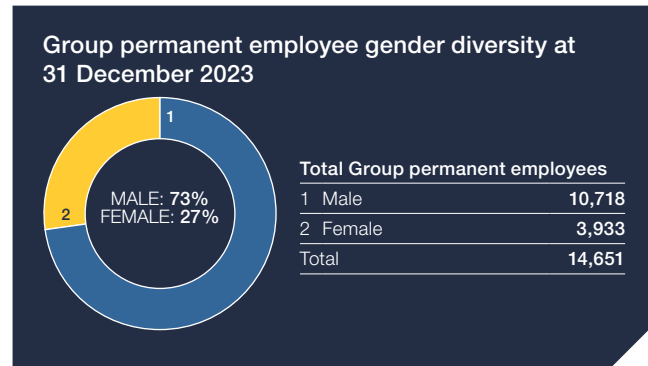
At a local level, GKN Aerospace's Swedish sites participate in the national initiative IGE Day (Introduce a Girl to Engineering). Students meet with female representatives from all levels across the business, resulting in a direct increase in female applications for technical roles.

GKN Aerospace also recognises that some of its colleagues face different challenges and may need support, either to get their voices heard or to put their ideas into practice.



To drive a greater sense of Diversity, Inclusion and Belonging (“DIB”), GKN Aerospace currently has six dedicated Employee Resource Groups (“ERGs”). The current six ERG’s are: Connected Women, Future GKN, LGBTQ+, African Black Caribbean Professionals, Mastering Neurodiverse Strengths and Veterans & Reservists. Additionally, in 2023, a Menopause support group was also launched.

These ERGs are voluntary, company-endorsed, employee groups, created by employees specifically to address the concerns of a particular group or an aspect of our culture that we want to improve. ERGs have brought together groups of like-minded people, providing them with opportunities to collaborate, educate others about the challenges they face – or ways they can help the organisation – and help to give them a real sense of belonging within the organisation. Currently the total membership across these groups is nearing 2,000 employees, up from c.700 in 2022.



There are initiatives across GKN Aerospace to recruit diverse talent. GKN Aerospace’s recruitment policy, for example, requires diverse candidate short lists and diverse interview panels for all roles across the business. Additionally, all GKN Aerospace US sites have affirmative action plans to promote equal opportunities and diversity as required by law.

GKN Aerospace’s GTC in the UK recently hired, in partnership with a UK Autism charity, two intern engineers with autism and has since re-mapped the hiring processes to make adjustments to the working environment to ensure they felt safe and included.

(1) Source: Office for National Statistics Provisional Gender 2023 Pay Gap Table 16.12.

GKN Aerospace also offers a variety of different job opportunities to suit employee requirements, providing workplace flexibility and contributing to work-life balance. Every site has their own policies based on a combination of location country legislation, union or work council agreements and policies. In 2023, 84% of employees were permanent and 16% were on temporary contracts. 5% of permanent employees were part-time, and 95% of all employees were full-time. GKN Aerospace also offers the opportunity for a career break, with applications considered on an individual basis and ranging from educational requests to care responsibilities.

All employees are encouraged to express any concerns they have in relation to diversity, equity and inclusion throughout our operations and all sites have grievance procedures in place which take account of location country legislation, union or work council agreements and policies.

Gender pay gap reporting

In our collaborative business model, our operational business leaders are empowered and accountable, setting the tone for their operations. Our focus on retaining and recruiting talent is supported through ensuring our employees are paid fairly for their work and we benchmark pay rates in local markets where practical. Various financial employee assistance plans, programmes, benefits and allowances are in place to support employees with the increased cost of living, providing everything from counselling support, mental health and wellbeing advice and guidance on legal and financial queries.

GKN Aerospace’s annual salary review process is undertaken by managers who are provided with guidance on where each of their team member’s salary sits with respect to the salary range for the role. One Global Grading system (Willis Towers Watson) is used, and all roles are reviewed and approved by HR to ensure role parity is maintained. Salary frameworks have been developed for all roles, grades and countries based off market salary data for the Aerospace industry, which are published annually. This allows us to ensure everyone is paid fairly and correctly for the position they hold, unbiased by any other characteristics.

The gender pay gap indicates the percentage difference in the mean and median base and bonus pay between all employees in the workforce. GKN Aerospace Services Limited is the only entity within the Group to which the gender pay gap reporting legislation is applicable to. In 2023, it saw its median gender pay gap increase to 14.7% (2022: 10.4%), which is marginally smaller than the UK’s national average median gender pay gap (14.3%) and it also achieved a smaller median gender pay gap than the industry average for manufacturing companies (15.9%)⁽¹⁾.

Reward and recognition

Our policies and protocols for recruitment, talent development and succession planning are supported by robust training programmes and effective management to ensure that relevant opportunities are in place for employees to pursue career development. We also encourage internal applications for open positions. In 2023, 18% of open positions were filled by internal candidates at GKN Aerospace.

Where permitted by local laws and employee representative bodies, performance evaluations are undertaken across the business, with 72% of employees receiving a performance appraisal in 2023 (2022: 59%). At the time of writing, performance evaluations for 2023 were ongoing.

Annual salary reviews are aligned with performance evaluations where applicable to ensure that employees are paid fairly and correctly for the position they hold. In compliance with all applicable local laws relating to the provision of pensions, over 82% of our permanent employees (by headcount) benefit from being a member of a company-based pension scheme.

Various other approaches to acknowledge and reward employees for their contributions to the business are also in place. For example, GKN Aerospace hosts annual Excellence Awards which are open to all employees. In 2023, around 200 entries were received showcasing the great work that is being done across the business and within local communities. Winners and highly commended entries were selected across eight categories, including Living the Culture Principles, Health and Safety, and Quality and Customer Excellence.

GKN Aerospace’s global Lean community also presents Kaizen awards every month to recognise continuous improvement activities that have made a difference at a site level and to our customers. Award winners in 2023 came from GKN Aerospace sites in the UK, the Netherlands, US, China, Norway, Mexico, Turkey and Malaysia.

Individual sites also run recognition proceedings. For example, at GKN Aerospace’s site in Bangalore, India, an annual employee recognition event is hosted to celebrate the achievement of colleagues who have contributed to the success of the business, as well as recognising those who have completed long-service with the Company.

TALENT AND CAREER MANAGEMENT

Skills development

Melrose is committed to fostering the professional growth and lifelong learning of its employees. A proactive approach to anticipating both short- and long-term workforce requirements and skill prerequisites is essential in ensuring our workforce remains at the forefront of innovation. Enhancing productivity lies at the core of Melrose’s strategy for enhancing performance, with a strong emphasis on providing extensive training opportunities that are accessible and actively promoted to employees at all career stages.

Training programmes across the business aim to support all employees regardless of seniority, starting with new-hire onboarding programmes to accelerate knowledge and exposure to the businesses’ culture, strategies, and objectives. A wide range of learning opportunities are provided throughout an employee’s career, extending beyond functional skills development to personal development and leadership opportunities, and all employees are encouraged to actively engage in their career development.

Leadership training is an integral part of ensuring the workforce remains engaged and innovative. Annual talent reviews help identify individuals who have the ability and aspiration to grow into more stretching roles and assist us to develop a diverse pipeline of successors for key leadership positions.

A proactive approach to anticipating both short- and long-term workforce requirements and skill prerequisites, is essential in ensuring our workforce remains at the forefront of innovation.

Training opportunities across the Aerospace divisions

GKN Aerospace delivers a wide variety of flexible training programmes through a combination of online and in-person training. In 2023, 89% (2022: 87%) of employees received training during the year. Set out in the table below is the average training time per GKN Aerospace’s employee and the total number of hours spent on workforce training. The average training time per employee remained static between 2022 and 2023, with increased spend per employee.

Training and development

	2023	2022
Average training time per employee (hours) ⁽¹⁾	29	29
Average training spend per employee (£) ⁽²⁾	292	279
Total number of training hours⁽¹⁾	512,238	496,312
Total annual spend on workforce training (£)⁽²⁾	5,085,732	4,756,851

Our divisions are responsible for implementing the most relevant training for their employees and multiple initiatives are in place. The GKN Aerospace Lean Academy, which was launched in 2020, manages the provision of Lean Foundation training aiming to improve health and safety and work performance through reducing inefficiencies. The foundation course is open for all employees and teaches basic skills of daily management, problem solving, identification and removal of waste in processes. It is a stepping stone to the higher level training programmes that are available within the Lean Academy that are role specific, including Lean Advanced training and the DMAIC Six Sigma programme.



Open positions filled by internal candidates

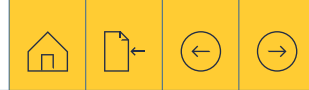
2023	18%
2022	27%
2021	32%

Overall voluntary attrition

2023	63%
2022	76%
2021	33%

(1) Data was collected from 100% (by headcount) of the Group in 2023 and 2022.

(2) Data was collected from 100% (by headcount) of the Group in 2023, and from 98% in 2022.



Global Leadership programmes

Three new leadership programmes were introduced in 2023 by GKN Aerospace, all with external partner Centre for Creative Leadership (“CCL”). The Maximising Leadership Potential (“MLP”) programme aims to give direct line managers and project leaders the tools to be a better people leader, developer and coach whilst still achieving their day-to-day role. A pilot of this three-day course was launched in October, with 15 participants from all areas of the business. The intention is to run two global cohorts per year. A pilot for the Leadership Development Programme (“LDP”), which replaced the Leaders of Leaders Development Programme (“LLDP”), was launched in November, with 16 participants from across the business. This programme aims to refine the leadership style of leaders. And finally, Leading for Organisational Impact (“LOI”) targeting the senior executive population was piloted in November, with one individual from Engines Division’s leadership team. This course helps cohorts navigate a rapidly changing business which demands organisational agility, strengthened relationships and the ability to balance competing priorities.

In addition to the new programmes, GKN Aerospace continues to identify and develop future leaders through its FLDP (Future Leaders Development Programme), providing training and guidance for those aspiring to grow into larger roles. In 2023, 111 participants completed this programme. Set4Success – a global programme applicable for first time line managers – continued to upskill the next generation of leaders to complete their roles effectively, lead engaged teams and improve productivity. The course is delivered over four modules across a four to six month timeframe, with over 80 participants in 2023. The Engagement Training for Managers programme provides the core fundamentals of what engagement is, the benefits of having an engaged team, and how managers can drive engagement to improve performance. 51 participants completed this course in 2023, with the business divisions training directly within their areas of responsibility rather than global attendance.

29

Average training hours per employee⁽¹⁾
(2022: 29 hours).

£292

Average training spend per employee⁽²⁾
(2022: £279).

512,238

Total number of training hours⁽¹⁾
(2022: 496,312 hours).

£5,085,732

Total annual spend on workforce training⁽²⁾
(2022: £4,756,851).

Apprenticeships and graduate programmes

Apprenticeship and graduate programmes assist with training a new generation of employees and help to ensure that knowledge is retained within the business. In 2023, over 200 apprenticeships were in place at GKN Aerospace, providing a mix of on-the-job and classroom training. In turn, in 2023, GKN Aerospace’s Global Graduate Development Programme enrolled a further 32 graduates onto the programme, adding to the existing 32 graduates who joined as part of the 2021 and 2022 cohorts. Apprenticeships are considered key to maintaining a pipeline of talent across the divisions with opportunities ranging from functional support roles (e.g. business administration and procurement) to engineering and manufacturing, and whilst each division manages their own intake, apprenticeships are funded from the GKN central apprenticeship levy funds.

30

Engines: Approximately 30 students certify from the Engines Apprentice School each year, ready to work as certified operators across the business.

82

Defence: 82 apprenticeships are currently active within the business, with 23 apprentices recruited in 2023.

93

Civil: Some 40 apprentices were recruited in 2023, taking the total number of apprenticeships to 93.

In September 2023, GKN Aerospace’s Global Graduate Development Programme enrolled a further 32 graduates onto the programme, adding to the 32 graduates who joined as part of the 2021 and 2022 cohorts. The Global Graduate Development Programme is a 27-month programme that provides a unique introduction to a global cohort each year at GKN Aerospace. A highly personalised mix of real-world placements and structured development weeks supports our graduates through the different business lines and functions, preparing them for a strong and successful career within the Company. The 2021 cohort of 15 skilled and capable individuals successfully completed the programme at the end of the year and are now moving into either specialist or leadership roles.

In addition to apprenticeships and graduate programmes, GKN Aerospace also runs a number of internship and cooperative education programmes, whereby students complement their studies with paid periods of work over the course of their degree. These programmes give students the opportunity to gain valuable industry experience that helps broaden their skillsets, whilst helping businesses develop a talented and diverse recruitment pool.

(1) Data was collected from 100% (by headcount) of the Group in 2023 and 2022.

(2) Data was collected from 100% (by headcount) of the Group in 2023, and from 98% in 2022.

Melrose Skills Fund

In 2023, we met our commitment given at the time of the acquisition of GKN plc to invest £10 million over five years through the Melrose Skills Fund to build the UK's industrial base and to support the creation of between 100 to 150 new apprenticeships in engineering, technology and science, with the total number of apprenticeships created having exceeded this target.

Furthermore, we partnered with Cajigo, an app-based educational platform which offers mentoring and career guidance for girls and women, with the objective of closing the gender gap in engineering and technology. As part of this initiative, a group of our female engineers volunteered to support Cajigo's virtual talks and events. We also partnered with the University of West England and Ambitious about Autism, a London-based charity, to provide two internship opportunities at our UK Global Technology Centre to neurodivergent students.

The Melrose Skills Fund has helped to support the training and development of more than 3,000 individuals across GKN Aerospace's UK workforce, with key capability gaps closed and tangible value added to the business. While the primary focus was to upskill the UK workforce, GKN Aerospace took the opportunity to create learning opportunities across the whole organisation through digitalisation of learning resources and accredited learning management systems.

A wide range of topics were covered that were both tactical and strategic in nature with an emphasis on the importance of building technical capabilities to meet future business challenges and customer needs. GKN Aerospace investment was focused on three areas, emphasising the importance of building technical capabilities to meet future business challenges and customer expectations: Tactical Skills Standardisation, Future Skills Differentiation and Skills Delivery Infrastructure.

A key focus of the Melrose Skills Fund has been identifying ways to work with third parties and the community to help bolster the UK's current and future manufacturing and engineering skills needs, using digital delivery methods and accredited learning management systems. The Melrose Skills Fund has supported the Schools' Aerospace Careers Programme (the "ACP"), a charity supporting young people

and educational establishments across the UK to increase the number of young people undertaking STEM learning and pursuing careers in engineering-based industries. This included employees attending multiple school roadshows and hosting an ACP Student Networking Event in which around 75 students attended the GKN Aerospace GTC for a full day of insights into aerospace careers.

Another core component of the Melrose Skills Fund has been supporting initiatives which look to improve diversity within manufacturing. In collaboration with Enginuity, a not-for-profit organisation, and the trade union, Unite, Melrose helped develop an engineering task-oriented computer game contextualised for the aerospace sector to help encourage school children from ethnic minorities and different socio-economic backgrounds to consider a career within engineering.

Tactical Skills Standardisation

A bottom-up approach was used to identify technical capability gaps and training opportunities focusing on tactical skills standardisation in areas such as Manufacturing Engineering, Quality Management, Life Cycle Assessment Process Development and Automation and Robotics.

Strategic Skills Differentiation

A top-down approach used to proactively identify emerging capabilities and skills that will be required over the next 10-15 years in the aerospace industry. Areas highlighted for strategic skills differentiation included Digital Skills, STEM Pipeline Industry Collaboration and Academic Institution Collaboration.

Skills Delivery Infrastructure

To address the need to invest in infrastructure to effectively govern, accelerate and deliver the Skills Fund, investments were made to recruit a Skills Fund Programme Manager, review existing learning and development systems and set-up a multi-purpose training and development function at the UK Global Technology Centre ("GTC"). The GTC, which opened in October, provides a hub to showcase GKN Aerospace and STEM careers with a view to real world manufacturing applications.

TACTICAL SKILLS
STANDARDISATION

STRATEGIC SKILLS
DIFFERENTIATION

SKILLS DELIVERY
INFRASTRUCTURE



CASE STUDY/

eVTOL CAPABILITY TRAININGS

(CONCEPT DESIGN, NOISE AND ACOUSTICS PREDICTION)

Advanced Air Mobility ("AAM") represents an opportunity for a brand-new aerospace market which will be "born green" through the application of battery electric technology yielding no in-flight emissions. This represents a significant segment of GKN Aerospace's growth market, especially for the civil business line with many customers already engaged. Noise is the largest public acceptance challenge for advanced air mobility. With many of its eVTOL customers operating in the AAM domain, GKN Aerospace is advancing exploration and development of new product offerings that can potentially significantly reduce the noise output.

Its design training supports both the ranking and selection of the best concepts as well as the technical credibility of projects. Furthermore, it adds another layer of technical skills GKN Aerospace can utilise to improve its offering to customers through intelligent design adaptations. Lastly, it helps forecast the technical challenges that customers are likely to face well in advance, allowing GKN Aerospace to better understand the market needs.



CASE STUDY/

CRYOGENICS CAPABILITY TRAINING AND SKILLS DEVELOPMENT (“CRYOLAB”)

The growing trend to move towards liquid hydrogen as a fuel for aircraft, either via fuel cell or combustion, requires advanced understanding of the implications of the cryogenic fluid introduction into an aircraft when at early design stages.

GKN Aerospace’s commitment to develop cryogenic hydrogen system solutions for zero emission aircraft applications covers a multitude of applications from cryogenic hydrogen electric power and propulsion (“H2GEAR”), cryogenic fuel systems (“HyFIVE”) and cryogenic combustion (heat exchange, distribution and pumps in ENVOL and H2JET). Cryogenics is an internationally rare skill, and GKN Aerospace currently have three of the UK’s leading experts in the team. The Cryolab installed at the UK GTC in 2023, aims to upskill the team in cryogenics engineering, design, test and safety, providing practical in-house and “on the job” cryogenic and cryogenic electrical training supported by a suite of scalable tools, developed within H2GEAR and test equipment provided in the lab. It is expected that 30 people will be trained in the lab in its first year of operations and increase in the following years, providing competitive advantage and differentiation to customers.

In addition, GKN Aerospace runs a Hydrogen Awareness and Utilisation Training course which equips engineers with information required to support the transition to hydrogen as a sustainable energy source, helping to drive the green agenda and our Net Zero strategy.

CASE STUDY/

QUALITY eLEARNINGS

The Quality Excellence Team working with the business lines’ Quality Directors developed a programme of eLearning opportunities covering a range of topics, many of which have subsequently been developed and released on the GKN Aerospace global learning platform for learners to self-register and complete the training. Key topics include:

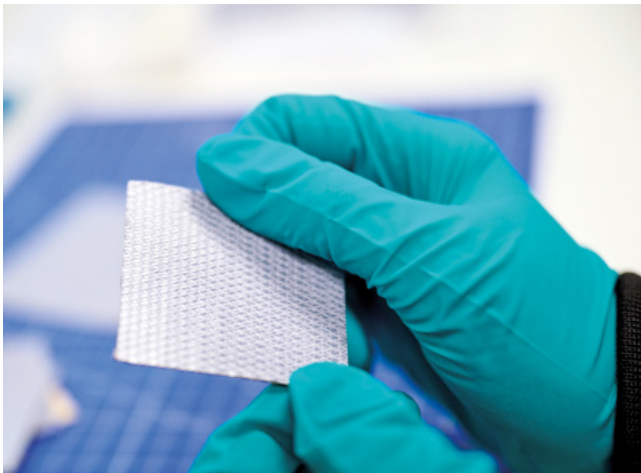
- **Safety Management Systems (“SMS”) awareness**, which is a legal requirement imposed by European Union Aviation Safety Agency (“EASA”) and the Civil Aviation Authority (“CAA”) on Design, Production and Maintenance organisations. To harmonise the approach and importance of SMS, GKN Aerospace sought to make eLearning material available to all employees in support of the knowledge and skills required in developing compliant SMS. The business is preparing to meet the EASA Part 21 and Part 145 regulatory requirements that will come into place next year with respect to business systems and personnel competencies.
- **The Human Factors eLearning training** reinforces the importance of human factor in our day-to-day activities. Through real-life scenarios, the training explains the serious consequences of human errors and how everyone in the organisation should be vigilant to ensure safety of our people and products.
- **Audit Awareness eLearning** is included in every site’s and function’s internal and external audit preparation as part of maintaining quality certification. Providing auditees and managers with a better understanding of the audit process and requirements helps close gaps and identify improvement actions to further improve audits.

In addition to the eLearning opportunities, Quality Managers at the five UK sites have identified a number of tactical topics based on a capability gap assessment of their teams, with 189 individuals trained across 22 topics.

Future Skills Differentiation

A top-down approach was used to proactively identify emerging capabilities and skills that will be required over the next 10 to 15 years in the aerospace industry.

Areas highlighted for strategic skills differentiation included Digital Skills, STEM Pipeline Industry Collaboration and Academic Institution Collaboration.



CASE STUDY/

ACADEMIC INSTITUTIONAL COLLABORATION

Three university liaisons have been established for specific knowledge transfer from Bristol University on Noise, University of Manchester for 2D Materials and Cranfield University for Thermal Management. Knowledge transfer included sharing reports, technical papers, arranging consultancy engagement on specialist topics, developing training content using the expertise of the experts in universities and arranging access to university facilities and/or technicians.

CASE STUDY/

STEM PIPELINE INDUSTRY COLLABORATION

Since the opening of the UK GTC in 2021, promoting STEM has been an important and underpinning principle. Promoting engineering careers within the aerospace industry to ensure that we have a pipeline of young talented people entering our industry is vital for our future success. These incredibly important, interesting and technically challenging projects are shaping the future of flight. As part of the UK GTC STEM strategy, the UK GTC has set an ambitious target of engaging with 10,000 children or young adults by the end of 2025. In 2023 alone, our UK STEM ambassadors have engaged with approximately 6,000 young people through various projects including:

- **Work Experience Weeks at the UK GTC** – the week-long work experience programme is designed to give year ten to year 12 students an insight into careers in the aerospace industry as well as highlight the significant engineering challenges that our industry needs to overcome to meet the Net Zero target. In 2023, the UK GTC hosted six work experience weeks with around 70 students attending in total.
- **STEM Outreach** – our UK STEM ambassadors regularly visit schools to promote GKN Aerospace and engineering careers, having supported a number of national STEM events in 2023, including:
 - The STEM zero emissions flight event held at London City Airport was attended by over 500 students who learned about fundamental flight mechanics, aircraft performance and weight distribution and importantly, as well as the use of sustainable fuels such as hydrogen which will influence these important fundamental aircraft design considerations;
 - Together with Sherborne Area Schools' Trust, GKN Aerospace created a STEM outreach relationship to serve 5,700 students across Dorset and South Somerset, opening with a competition to design a sustainable aircraft. The winners were invited to the UK GTC for an activity day which included a tour of the facility and a panel discussion about life as an engineer.





COMMUNITY IMPACT

At Melrose, we firmly believe that our responsibility extends beyond our core business operations. Our commitment to the communities where we operate is an integral part of our corporate ethos. This past year, we continued to contribute to local charitable and community initiatives, both in terms of volunteering time and material resources, that create a positive and lasting impact on the communities we serve. In 2023, GKN Aerospace undertook community initiatives and invested over £312,000 in a mix of donations, sponsorships and employee's volunteering their time to help others and charitable causes globally. GKN Aerospace also made cash donations to non-profit charitable organisations in excess of £825,000, giving a total contributed of more than £1,100,000 to support charities and its local communities. Community investment is led by sites who are required to enter donation and sponsorship programmes in compliance with the Anti-Bribery and Corruption policy.

Examples of community initiatives relating to social issues include:

- At the start of the year, employees worked together to support those affected by the earthquakes in Turkey and Syria. A total of four tonnes of warm clothes and blankets were donated by sites around the world, with our largest site, in Trollhättan, donating more than 1.5 tonnes alone.
- Throughout 2023, Kongsberg, in Norway, led the way by supporting multiple good causes, from sponsoring student rocket-building competitions and technology events, to supporting the preservation of key aspects of Norway's aerospace history.

- In the UK, our sites in Cowes, Luton and Bristol made various donations to schools, while several colleagues ran marathons to raise funds for charities such as Cancer Research and Heart Heroes, as well as volunteering and mentoring to encourage children to pursue a career in STEM. A group of colleagues also abseiled 65ft from the roof of a Bristol hotel to raise money for a charity which supports those with health conditions affecting the brain, central nervous system or spinal cord.
- In the US, donations included various sponsored bike rides organised by our St. Louis site for the Joshua Chamberlain Society, which supports wounded veterans and families of deceased veterans.
- In Bangalore, India, various initiatives took place to drive donations for the long-standing charity partner, the Samarthanam Trust, which supports those with disabilities and from underprivileged backgrounds.

GKN Aerospace's community initiatives also related to environmental issues. This included a variety of activities in line with our commitment to minimise our impact on the environment, such as our site in Trollhättan partnering with a local airport to enable 100% of flights to be SAF-powered, as well as multiple site-level activities, including tree planting and on-site plastic and packaging reduction initiatives, which led to it receiving a local Sustainability award. Elsewhere, reusable grocery bags were distributed at our site in Wellington, in the US, and our colleagues in Phoenix gifted plants to encourage a healthier and greener community. Many of these activities were planned as a part of our efforts to celebrate international days like Zero Emissions Day, Global Recycling Day, Earth Day and World Water Day.

As part of our ongoing commitment to the communities we operate in, we ensure that we have channels through which they or representative bodies can express concerns. Matters can be raised via the contact page on our website, and we also have clearly identified media contacts on the website, which allows journalists from around the world to raise relevant queries or concerns.



HUMAN RIGHTS, MODERN SLAVERY AND HUMAN TRAFFICKING

Modern slavery and human trafficking

The Group has a zero-tolerance approach to any form of modern slavery, as set out in the Melrose Anti-Slavery and Human Trafficking policy which is available on the website.

→ [See our Anti-slavery and Human Trafficking Policy at melroseplc.net](#)

In accordance with the Modern Slavery Act 2015, Melrose publishes its own Modern Slavery Statement, which is approved by the Board annually. The latest statement can be found on our website.

→ [See our Modern Slavery statement at melroseplc.net](#)

GKN Aerospace is also responsible for publishing their own Modern Slavery Statement in accordance with the requirements under the Modern Slavery Act 2015, which can be accessed here:

→ [See our Modern Slavery statement at gknaerospace.com](#)

This approach ensures that those senior managers closest to the business operations devise appropriate measures to ensure that slavery is not present within supply chains.

Melrose implements employee training with respect to anti-slavery and human trafficking, to ensure that all employees understand the risks and are prepared to take the required action if they suspect that modern slavery is happening internally or within the supply chain.

We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to create effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group has a strong culture of ethics, which encompasses key human rights considerations, as set out in our Human Rights policy, in support of the principles set out in the UN Declaration of Human Rights.

→ [See our Human Rights policy at melroseplc.net](#)

GKN Aerospace also implements effective and proportionate measures to identify, assess and mitigate potential labour and human rights abuses across their operations and supply chains. These include training, anti-slavery and human trafficking policies, employee handbooks and business-specific policies. All GKN Aerospace policies are reviewed locally within each business in order to ensure compliance with local laws and standards as a minimum.

There have been no violations reported on human rights in 2023 or in the previous two years.



GOVERNANCE

Sound business ethics and integrity, and effective and transparent governance, are core to the Group's values and fundamental for the success of our strategy.



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ETHICS AND COMPLIANCE

Sound business ethics and integrity, and effective and transparent governance, are core to the Group's values and fundamental for the success of our strategy. Melrose is a premium listed company with strong, established financial and non-financial controls that are continually assessed, tested and reviewed.

The Melrose Board oversees our robust governance framework at a Group level, with risk ownership decentralised across GKN Aerospace's business lines and functions. This is supported by independent internal audit and risk functions, regular public disclosure and financial reporting, external audits, public accountability and conformance with the UK Corporate Governance Code (the "Code"). The framework is also supported by direct engagement with investors, corporate governance and proxy advisors and the Group's wider stakeholders to ensure best market practice is being implemented.



Group Code of Ethics and Compliance Policies

Our commitment to maintaining a responsible and ethical corporate environment is underscored by a framework that includes robust financial and non-financial controls. This framework is further reinforced by a strong governance structure that is subject to regular internal reviews and, when necessary, external assessments to ensure compliance at every level of the Group.

Directors, officers, employees and contractors, whether they are part of our permanent or temporary workforce, are obligated to uphold the highest standards of conduct. This entails adherence to Melrose's Code of Ethics and compliance policies, which are continually refined to reflect the latest industry best practices and to uphold principles of good corporate citizenship.

Each individual business line is tasked with the responsibility of not only complying with our Code of Ethics and compliance policies but also promoting and embedding them within their day-to-day operations. This approach ensures that every facet of our business is conducted with integrity, responsibility, and sustainability at its core, reinforcing our commitment to ethical and responsible corporate practices.

The Code of Ethics and compliance policies, as approved by the Board, cover 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, anti-slavery and human trafficking, document retention, joint ventures, diversity and inclusion, environmental, human rights, supply chain, biodiversity and water.

Implementation of the Group Code of Ethics and compliance policies is supported by risk assessments, audits and reviews and annual compliance certifications. Melrose strongly believes that policies and procedures are only as effective as the people who implement them. To that end, all of the above measures are backed by investment, resources and training.

Anti-bribery and corruption

We take a zero-tolerance approach to bribery, corruption and other unethical or illegal practices, and are committed to acting professionally, fairly and with integrity in all business dealings and relationships, within all jurisdictions in which we operate. Melrose adopts high governance standards, to ensure that the Group conducts business responsibly, sustainably, and in the pursuit of long-term success for the collective benefit of stakeholders. This is outlined in our Anti-Bribery and Corruption policy, which is implemented and administered throughout the Group, and is available on our website.

→ [See our Anti-Bribery and Corruption policy at melroseplc.net](#)

Although the policy prohibits party political donations, it does however recognise that from time to time our Group may comprise businesses that engage in policy debate and advocacy activities on subjects of legitimate concern to their respective industries and key stakeholders, including their staff and the communities in which they operate. There were no political donations made during the year ended 31 December 2023: £0 (2022: £0).



Whistleblowing

Melrose runs a Group-wide whistleblowing platform, which is overseen by the Audit Committee and supported by the Melrose senior management team, and ultimately reported to the Board. The platform is monitored by the businesses' legal, compliance and HR functions, with support from the Melrose senior management team. All employees have access to a multi-lingual online portal, together with local hotline numbers that are available 24/7, in order to raise concerns, confidentially and anonymously, about possible wrongdoing in any aspect of their business, including financial and non-financial matters.

GKN Aerospace takes a number of actions to raise employees' awareness of the whistleblowing platform, using online and offline media as appropriate, including through its six dedicated employee resource groups: Connected Women, Future GKN, LGBTQ+, African Black Caribbean Professionals, Mastering Neurodiverse Strengths and Veterans and Reservists. Currently, the total membership across these groups is nearing 2,000 employees.

Employees who come forward with a genuine concern are treated with respect and dignity and do not face retaliation. During 2023, 84 whistleblowing cases were recorded through the platform (2022: 78). This highlights the effectiveness of awareness campaigns together with the trust placed by employees in the whistleblowing programme. Each case is investigated confidentially by the business with appropriate response measures taken. Whistleblowing cases are regularly reported to the Audit Committee and ultimately to the Board.

Paying tax responsibly

Melrose is committed to paying taxes that are due, complying with all applicable laws, and engaging with all applicable tax authorities in an open and cooperative manner. The Group does not engage in aggressive tax planning. The Group's Tax Strategy is reviewed, discussed and approved by the Board annually. The Audit Committee periodically reviews the Group's tax affairs and risks.

The Group has adopted a policy in respect of the prevention of the facilitation of tax evasion which has been implemented by the businesses, with guidance on undertaking risk assessments and training to employees in relevant roles.

The Group does not operate in countries considered as partially compliant or non-compliant according to the OECD tax transparency report, or in any countries blacklisted by the EU, for the purposes of tax avoidance and/or harmful tax practices, per the lists released as at 17 October 2023.

SUSTAINABILITY AND CLIMATE CHANGE RISK MANAGEMENT

Sustainability risks, including Climate Change, are integrated into the Company-wide risk management framework which serves as the foundation of the Group's risk management process. The process includes identification of relevant risks, risk scoring, development and assignment of appropriate response actions, monitoring the effectiveness of key mitigating controls and reporting of the overall risk trend to the Audit Committee each year.

During 2023, the GKN Aerospace sustainability function re-assessed climate-related risks, taking into account the evolving landscape associated with climate change in the areas of existing and expected legislation, supplier and consumer preferences, government policies and commitments, as well as changes in climatic patterns. The core sustainability team also engaged with Health, Safety and Environment leaders across GKN Aerospace to start the assessment and better the understanding of potential water and biodiversity risks that sites can be exposed to, and therefore addressing those risks through mitigation actions in sustainability and environmental plans will be an area of focus in 2024. Risks are typically assessed for likelihood, magnitude of impact and their strategic impact on the business with a view to develop mitigating action plans for risks where the risk scoring exceeds the Group's tolerance levels.

For more information on governance and management of the Climate Change principal risk, please refer to our TCFD report on pages 22 to 38. For more information on our approach to management of principal risks, please see the Risks and uncertainties section of our 2023 Annual Report.

ENSURING THE HIGHEST STANDARDS OF PRODUCT QUALITY AND SAFETY

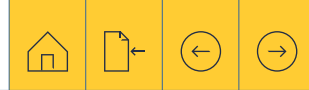
We are committed to ensuring the highest standards of product quality, reliability and safety. Recognising the importance of protecting the wellbeing of the ultimate end users of our products, we follow structured product design and development procedures to ensure precise delivery to customer specification. As we develop new designs or update existing designs, we seek opportunities to enhance quality and safety performance. Every site has plans and targets to reduce the risk of non-conformance and to reduce the cost of poor quality.

The Group takes a preventative approach to product responsibility through instilling effective controls and processes around social factors such as safety and quality assurance, including crisis management procedures and processes, including, but not limited to, potential recall programmes.

96%

In 2023, 96% (2022: 95%) of the Group's product portfolio (by revenue) was certified to a recognised international quality management standard of ISO 9001, or EN/AS9100.

The relevant certifying bodies audit the manufacturing facilities and support functions at least annually, undertaking surveillance audits, and each site is recertified once every three years. In addition, a number of GKN Aerospace certified entities also have additional regulatory approvals, including EASA, FAA, and EMAR, covering design, production and repair.



SUPPLY CHAIN MANAGEMENT

We are committed to participating sustainably within our value chain and part of this is our responsibility to mitigate the risk of supply chain disruptions. At a minimum, we source raw materials and manufacture products in a responsible, ethical and sustainable manner.

We encourage our suppliers to respect, protect and minimise their impact on the environment, respect their employees' human rights and provide good and safe working conditions across their operations. In practice, this means that we require suppliers to respect and protect the environment in compliance with the applicable environmental legislation relating to energy use, waste, emissions, water and resource consumption and management, to treat their staff equally, to pay their employees a fair wage that meets or exceeds the minimum standards or prevailing industry standard, to eliminate excessive working hours for all workers and protect their workers' health and safety rights at work.

In 2023, Melrose continued to participate in the CDP Supply Chain engagement initiative, in order to provide an insight into our supplier's environmental data and enable efficient tracking of their alignment with Net Zero. This second year of engagement has generated an over 70% (2022: 50%) response rate and provided further insights on suppliers' environmental data, their energy consumption, emissions reduction initiatives and climate targets alongside other environmental data. The selected organisations were reflective of GKN Aerospace's largest suppliers by spend, and engagement with them was therefore important for pinpointing risks and identifying emissions reduction opportunities. Internal initiatives for streamlining supply chain management, assessment and engagement are underway at GKN Aerospace in close collaboration within sustainability, procurement, finance and site operations functions to facilitate the data capture and to ensure we were following best practice.

70%

response rate amongst our suppliers requested to submit the CDP Climate Change questionnaire in 2023.

Responsibility for the implementation and management of supplier-related governance principles and policies rests with the GKN Aerospace business lines and their management teams. As part of the newly recruited procurement sustainability and compliance manager's remit, a new supplier sustainability regulatory compliance training is planned to be developed and rolled out in 2024 with the support of the GKN Aerospace Sustainability team. Our Group-level supplier-related policies include the new Supply Chain policy, introduced in 2022, the Conflict Minerals policy, the Human Rights policy, and the policy principles laid out in the Melrose Code of Ethics.

→ [See our Supply Chain policy at melroseplc.net](#)

→ [See our Conflict Minerals policy at melroseplc.net](#)

→ [See our Human Rights policy at melroseplc.net](#)

→ [See our Melrose Code of Ethics at melroseplc.net](#)

Supplier qualification

Implementing supplier qualification processes where relevant, including through various risk assessments, helps identify and appropriately manage the risks associated with the environmental and social sustainability of their operations. The Melrose Supply Chain Policy and GKN Aerospace's revised Supplier Code of Conduct set out our ambitions to safeguard both human rights and the natural environment globally and require all suppliers' compliance with those principles. GKN Aerospace procurement teams are trained on the contents of the Supplier Code of Conduct, and in 2024, following the revision of the Code, this training will be refreshed and redeployed.

GKN Aerospace's Code of Conduct explicitly articulates its expectations of suppliers in key ethics areas including anti-bribery and corruption to encourage suppliers to "speak up" if they see or suspect any wrongdoing in their operations. Many of GKN Aerospace's long-term service agreements contain environmental compliance clauses and require suppliers to adhere to all applicable environmental laws and regulations, obtain and comply with all necessary environmental permits and to properly dispose of all hazardous and regulated substances, whilst adhering to GKN Aerospace's own policies relating to environmental sustainability. This aligns with GKN Aerospace's commitment to ensure that its sourced products do not contain any substance which is prohibited by any environmental laws and that all chemical substances contained in the products have been registered with, authorised

by or notified to the European Chemicals Agency as required by REACH, the EU regulation governing the manufacture and import of chemical substances and concerning registration, evaluation, authorisation and restriction of chemicals. The Code of Conduct also requires that suppliers work towards ensuring that appropriate environmental management systems are in place e.g., ISO 14001. GKN Aerospace's normal corrective action procedures will be implemented in the case of supplier non-conformance with environmental standards, as per non-conformance with any other standard or policy.

GKN Aerospace's Supplier Code of Conduct is easily accessible on the dedicated supplier portal. There is currently no systematic training of suppliers, however, it would be implemented on a case by case basis as required.

Conflict Minerals

As set out in the Group Conflict Minerals policy, we have strict procedures in place in respect of sourcing products or raw materials containing 3TG minerals to the extent required by applicable laws or customer expectations and seek to identify whether 3TG minerals are sourced responsibly and from conflict-free geographies. We also work with our supply chain partners to ensure compliance with all applicable laws and regulations. As a minimum, relevant suppliers are required to perform due diligence to ascertain whether any 3TG minerals in products are conflict-free and complete the Responsible Minerals Initiative reporting.

GKN Aerospace's long-term supplier framework stipulates the requirement for adherence by suppliers to conflict mineral laws and requires them to have own policies and procedures in place to ensure compliance by their employees and sub-tier supply chain. In addition, its general purchasing conditions require suppliers to comply with the GKN Aerospace Code of Conduct as well as all applicable laws, regulations and codes. It is the responsibility of each site to retrieve evidence of suppliers' conflict mineral compliance. In 2024, a central GKN Aerospace compliance tool will be established for supplier surveys, which will improve the efficiency of data collection and review for compliance areas, including suppliers' reporting on conflict minerals.

INTERNAL FINANCIAL CONTROLS AND REPORTING

We have a comprehensive and robust system for assessing the effectiveness of internal controls, including strategic business planning and regular monitoring and reporting of ESG data alongside financial and operational performance. The identification and oversight of material controls over the ESG data of the businesses is the responsibility of the GKN Aerospace sustainability function, which runs an established yet evolving programme of regular monitoring and review (at least quarterly) processes that are consistently robust across the Group. This is complemented by reporting protocols to ensure the business lines' management are accountable for achieving progress on sustainability and climate-related matters. The quality and accuracy of ESG data is continually improved against relevant guidance from prominent international regulatory frameworks and as tailored for our chosen metrics and targets. In 2023, we commenced a sustainability data pre-assurance project in preparation for formal limited assurance in the coming years. Horizon-scanning of applicable external reporting requirements is conducted regularly to identify the opportunities to strengthen data management systems and controls and ensure data-driven compliance mechanisms.

The Audit Committee also monitors the effectiveness of the internal control process implemented across the Group through a review of the key findings presented by the external and internal auditors.

Information security and data privacy

Melrose strongly respects privacy and seeks to minimise the amount of personal data that it collects, as well as to ensure the robust and sufficiently segregated storage of any data that is held. Information security and cyber threats are an increasing priority across all industries globally, and Melrose recognises that the Group must be protected from potential exposures in this area, particularly considering its scale, reach, complexity and public-facing nature, as well as the potential sensitivity of data held in relation to civil aerospace technology and controlled defence contracts. The Melrose senior management team routinely works with the GKN Aerospace Chief Information Officer and external cyber security risk consultants to review the information security and cyber threats risk profile which is one of our principal risks. This helps to monitor and track the Group's exposure to cyber security risk and drive continuous improvement actions, as well as ensure appropriate compliance with the General Data Protection Regulation ("GDPR").

The GKN Aerospace information security strategy and risk-based governance framework follows the UK Government's recommendations on cyber security. This strategy has enabled risk profiling and mitigation plans to be developed to mitigate and reduce exposure to cyber risk. This ensures clarity and consistency in the assessment of IT and cyber security matters. Progress is measured against the information security strategy and is monitored on a quarterly basis. To mitigate the impact of external cyber-attacks, the Melrose senior management team works with the GKN Aerospace Chief Information Officer and external cyber security risk consultants. The results of this ongoing review programme are reported to the Board on a regular basis. The Board, supported by the Melrose senior management team, oversee the Group's cyber security risk profile, and requires each business function to protect any commercial or personal information ensuring safe and appropriate usage of their IT systems and processes by their employees.

Regular internal and external testing of perimeter defences through penetration testing is undertaken, ensuring appropriate threat monitoring systems are in place. We work towards national and international business accreditations in varying aspects of cyber management where applicable and relevant to our business activities, including the UK's National Cyber Security Strategy ("NCSS"), ISO 27001, and industry-specific National Institute of Standards and Technology ("NIST"). As part of Melrose's overall information security strategy, IT security awareness training in various forms was provided consistently across the business in 2023 to all its employees.



ANNEX

For more information, please see our data centre at melrosepl.net →



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SUSTAINABILITY ACCOUNTING STANDARDS BOARD (“SASB”) INDEX FOR 2023

The following tables detail our disclosures made against the SASB Aerospace and Defence sector standards⁽¹⁾, with topics identified as being most relevant to the sector in which our business operates. 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 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 standard – accounting metrics

Topic	Metric	Response	SASB Code
Energy Management	Total energy consumed	2,039,562 Gigajoules (GJ)	RT-AE-130a.1
Hazardous waste management	Amount of hazardous waste generated	Please refer to page 42	RT-AE-150a.1
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 seek 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. 2) n/a	RT-AE-230a.2
Product safety	Number of counterfeit parts detected	0	RT-AE-250a.1
	Percentage of counterfeit parts avoided	n/a	RT-AE-250a.2
Fuel economy and emissions in use-phase	Revenue from alternative energy-related products	n/a	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.	RT-AE-410a.2

(1) Data coverage for the GKN Aerospace business only.



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 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. Please see page 42 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 47.	RT-AE-000.B

ENERGY CONSUMPTION AND CARBON EMISSIONS BY TYPE

The table below shows a breakdown of the Group's GHG emissions by type and by where those emissions were incurred. Our Scope 1 and Scope 2 emissions for 2023 encompass methane ("CH₄") and nitrous oxide ("N₂O"). The vast majority of our emissions are from carbon dioxide ("CO₂"), which is common among most industrial businesses. There have been reductions in most Scope 1 and Scope 2 GHG emission types between 2022 and 2023 across the Group.

This table shows the energy consumption by type for the Group, broken down by UK and overseas consumption, in accordance with the requirements of the SECR regulations. Please see page 36 for more information.

Table 1c: Melrose Group GHG emissions by type (CO₂e) for the period 1 January 2023 – 31 December 2023 (tonnes CO₂e⁽¹⁾ unless stated)

	FY2023			FY2022 ⁽²⁾			Change (2023/2022)
	UK	Global (excl UK)	Total	UK	Global (excl UK)	Total	
Scope 1⁽³⁾							
CO ₂	6,844	26,681	33,525	7,188	27,877	35,065	-4%
CH ₄	10	40	50	11	41	52	-4%
N ₂ O	4	18	22	5	21	26	-15%
Total Scope 1 CO₂e⁽⁴⁾	6,858	26,739	33,597	7,204	27,939	35,143	-4%
Scope 2							
CO ₂	10,674	102,089	112,763	12,339	106,458	118,797	-5%
CH ₄	48	70	118	6	43	49	141%
N ₂ O	66	99	165	6	77	83	99%
Total Scope 2 (Location-based) CO₂e	10,788	102,258	113,048	12,351	106,578	118,929	-5%

Table 1d: Melrose Group energy consumption by type for the period 1 January 2023 – 31 December 2023 (MWh unless stated)

	FY2023			FY2022 ⁽²⁾			Change (2023/2022)
	UK	Global (excl UK)	Total	UK	Global (excl UK)	Total	
Energy type							
Natural gas	36,084	133,966	170,050	37,298	140,659	177,957	-4%
LPG	153	806	959	223	615	838	14%
Diesel	770	1,890	2,660	475	2,370	2,845	-6%
Petrol (gasoline)	148	465	613	240	218	458	25%
LFO	–	3,363	3,363	–	3,163	3,163	-6%
Total non-renewable fuels consumption	37,155	140,490	177,645	38,236	147,025	185,261	-4%
Steam	0	36,344	36,344	0	34,950	34,950	4%
Total renewable electricity consumption	–	121,917	121,917	–	106,843	106,843	14%
Total non-renewable electricity consumption	53,794	178,433	232,227	55,982	206,820	262,802	-12%
Total electricity consumption	53,794	300,350	354,144	55,982	313,663	369,645	-4%
Total operational energy consumption	90,949	477,184	568,133	94,218	495,638	589,856	-4%
Company's chosen intensity measurement:							
MWh per £1,000 revenue ⁽⁵⁾	–	–	0.170	–	–	0.200	-15%

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

(2) 2022 data has been restated to exclude the divested GKN businesses.

(3) Scope 1 figures include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.

(4) Scope 2 figures include emissions from electricity and heat purchased by the Group's businesses. Scope 2 emissions, and total GHG emissions, are calculated using both the location-based and market-based methods.

(5) The revenue figure used to calculate the intensity ratio does not include any share of revenues from entities in which the Group holds an interest of 50% or less.



Scope 3 emissions

During 2023, we carried out our first full assessment of our value chain emissions, setting a baseline with 2022 data. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our Scope 3 emissions accounting for 92% of our 2023 total emissions (2022: 92%). All applicable Scope 3 categories were calculated for inclusion in our carbon footprint. Category 11 (Use of Sold Products) is estimated to be the largest category of Scope 3 emissions, however, as these emissions are classed as indirect and are outside of the “minimum boundary”, they have been excluded from our Scope 3 footprint.

Three categories contributed a combined 96% of Scope 3 emissions in 2023 (2022: 97%). Identifying our carbon hotspots has enabled us to develop a decarbonisation roadmap and submit Scope 3 targets aligned to the SBTi criteria for validation.

- **Purchased goods and services** (88% of Scope 3) – calculated using purchase data by spend of raw materials, components and services. This evaluation was carried out using a dedicated Scope 3 tool developed by the International Aerospace Environmental Group (“IAEG”). The “spend based” approach allocates emissions by amount spent on each commodity. While this method contains a degree of uncertainty, it provides a view of hotspots in our supply chain emissions. As more granular data becomes available, we will refine this methodology and look to move towards an “average data based” approach. Of our purchased goods and services emissions, a large proportion are from metallic raw materials (37%) such as Aluminium and Titanium. Emissions from services accounted for 22% of this category.
- **Capital goods** (6% of Scope 3) – calculated using a “spend based” approach. The IAEG Scope 3 tool was used to calculate emissions associated with spend on capital goods. Most emissions came from capital expenditure on industrial equipment (91%), with telecom equipment and building and industrial plant also providing sources of emissions.
- **Upstream transportation and distribution** (2% of Scope 3) – emissions associated with inbound, intragroup and outbound logistics under the Group’s control were calculated using a hybrid of “spend based” and “average data” based approaches. EcoTransIT World was used to calculate emissions using weight and distance travelled on a wheel-to-well basis. Spend based was used for the remaining transport data where weight and distance data were not available. It is not always possible to distinguish outbound transportation paid for by the Group or by customers, so categories 4 and 9 should be considered in aggregate. The majority of emissions associated with this category are associated with air transport.

In line with the Greenhouse Gas Protocol, we continue to review our reporting in light of any changes in business structure, calculation methodology and the accuracy or availability of data. Due to recognised inherent uncertainties in calculating Scope 3, we have adopted a continuous improvement approach. We will continue to review our processes and disclose any restatements in a timely and transparent manner.

Scope 3 category	Applicability to GKN Aerospace	2023 Emissions (tCO ₂ e) ⁽¹⁾	2023 % of Scope 3 ⁽¹⁾	2022 Emissions (tCO ₂ e) ⁽²⁾	2022 % of Scope 3 ⁽²⁾	% change 2023/2022	
Upstream emissions							
1	Purchased goods & services	Yes	1,539,165	88.24%	1,492,438	87.77%	3%
2	Capital goods	Yes	107,198	6.15%	96,111	5.65%	12%
3	Fuel & energy related activities	Yes	26,314	1.51%	37,361	2.20%	-30%
4	Upstream transportation and distribution	Yes	42,391	2.43%	46,442	2.73%	-9%
5	Waste generated in operations	Yes	3,497	0.20%	3,742	0.22%	-7%
6	Business travel	Yes	13,185	0.76%	7,964	0.47%	66%
7	Employee commuting	Yes	12,554	0.72%	16,286	0.96%	-23%
8	Upstream leased assets	No – n/a	–	–	–	–	–
Downstream emissions							
9	Downstream transportation and distribution	No – n/a	–	–	–	–	–
10	Processing of sold products	No – n/a	–	–	–	–	–
11	Use of sold products	Yes	–	–	–	–	–
12	End of life treatment of sold products	No – n/a	–	–	–	–	–
13	Downstream leased assets	No – n/a	–	–	–	–	–
14	Franchises	No – n/a	–	–	–	–	–
15	Investments	No – n/a	–	–	–	–	–
Total Scope 3 Footprint (tCO₂e)			1,744,305		1,700,344		3%

(1) The reported Scope 3 emission categories are a result of the Scope 3 inventory carried out to understand our overall upstream emissions profile and identify which categories are relevant and material to the Group.

(2) 2022 data has been restated to exclude the divested GKN businesses.



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