BUILDING A SUSTAINABLE FUTURE

MELROSE INDUSTRIES PLC
SUSTAINABILITY REPORT 2024

Melrose

GKN AEROSPACE

MELROSE INDUSTRIES PLC SUSTAINABILITY REPORT 2024

Melrose is an industry-leading global aerospace technology business.

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 long-standing mission to become the most trusted and sustainable partner in the sky, we are focused on improving our technology towards a zero emission future of flight, whilst ensuring our operational sustainability and efficiency, and resilience of our supply chain.

OTHER READING

This Sustainability Report should be read in conjunction with our 2024 Annual Report, which contains our climate disclosures in relation to the TCFD and CFD recommendations, as well as our Transition Plan.

For more information
melroseplc.net

About this report
page 82

Read our 2024 Annual Report
melroseplc.net

Read our Transition Plan
melroseplc.net

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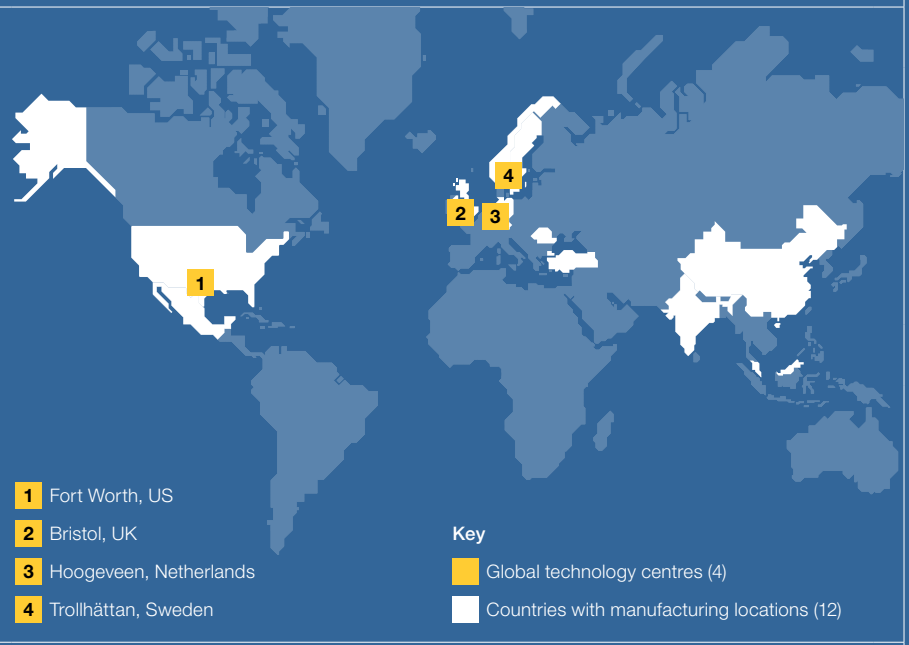
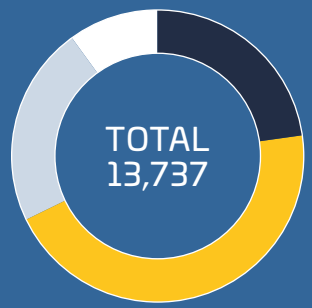
AT A GLANCE

Divisions	Revenue[1]
ENGINES	
A global tier one supplier to the aerospace engines market, including structural engineered components, parts repair, commercial and aftermarket contracts	£1,459m
STRUCTURES	
A multi-technology global tier one supplier of both civil and defence air frames, including lightweight composite and metallic structures, electrical distribution systems and components	£2,009m
CORPORATE	
Encompasses the central functions that provide strategic direction and support to both the Engines and Structures divisions. This includes corporate governance, financial management, and strategic planning, ensuring effective resource allocation and oversight across the organisation	n/a
TOTAL	£3,468m



Employee headcount by geographical region[1]



United Kingdom	3,196	23%
Rest of Europe	6,150	45%
North America	3,027	22%
Other	1,364	10%

(1) As at 31 December 2024.

Continuing to drive transformation and deliver sustainable growth

Peter Dilnot
Chief Executive Officer

GKN Aerospace's mission is to become the most trusted and sustainable partner in the sky. Contributing to the decarbonisation of the aerospace sector remains one of our top priorities and presents great opportunities to deploy our innovation and technology leadership to create and commercialise world-leading solutions for cleaner air travel.

This is achieved through strong collaboration with our customers, partners and key stakeholders, and includes efforts towards increasing efficiency on the next generation of SAF-enabled aircraft, developing airframe and engine structures that are more efficient, and developing ground-breaking solutions to enable the next generation of more electric and hydrogen powered flight.

→ **Highlights in 2024**
pages 4 and 5

→ **Industry leadership**
pages 22 and 23

VALIDATED SCIENCE BASED TARGETS

In 2024, GKN Aerospace's near- and long-term emission targets were validated by the Science Based Targets initiative ("SBTi"). The decarbonisation of our own operations through energy efficiency initiatives and renewable energy installations remains a strategic priority, as we seek to reduce our own carbon footprint. A 1.2MW solar farm was completed at our Cowes site which is expected to generate approximately 1,150,000 kWh of electricity annually, supplying 20% of the site's energy needs.

Beyond our own operations, we have made progress in relation to our Scope 3 SBTi-approved engagement target (70% of suppliers by spend to have set SBTi targets by 2028) through a Supplier Engagement Project on internal training, supplier analysis and division-level engagement roadmap development. The roadmaps include multiple engagement strategies from letters and notifications to dedicated sustainability reviews and the eventual structural integration of sustainability into the standard business review agenda. The roadmaps also include key milestones where expectations are set for the GKN Aerospace supply chain, ultimately supporting suppliers to establish science-based emission targets before the end of 2028.

PREPARING FOR NEW SUSTAINABILITY REPORTING REQUIREMENTS

The new EU Corporate Sustainability Reporting Directive ("CSRD") and underlying Standards aim to ensure more transparent and consistent reporting of sustainability information. With a number of our European sites falling within the scope of CSRD, we have chosen a consolidated approach to CSRD reporting. The timing and requirements of the first year of reporting are subject to the adoption of the 'Omnibus' legislative proposals to the European Parliament and Council.

In preparation for this, we have undertaken a number of actions to ensure our processes and disclosures are closely aligned with the standards and ready for external assurance. As such, in 2024, a value chain mapping exercise was commenced in order to gain a better understanding of the entire value chain and to enable the assessment and identification of material impacts, risks and opportunities ("IROs"). Internal governance structures and capacity building have also been introduced.

A key element of the CSRD requirements, is to perform a Double Materiality Assessment ("DMA") to identify the material sustainability IROs to the business. The European Sustainability Reporting Standards ("ESRS") supporting this Directive require that sustainability information related to the material IROs is reported through a sustainability statement, therefore a DMA must be conducted first to determine which topics are material for reporting. We have made significant progress on our DMA this year which will be concluded during 2025, ready for reporting at the end of the next financial year.

OUR PEOPLE

Promoting diversity and inclusion, prioritising the safety and wellbeing of our people, and investing in their development is instrumental to the success of our business. Having completed our commitment in relation to the Melrose Skills Fund in 2023, investing £10 million across the Melrose portfolio over a period of five years to promote engineering skills across the UK, this fund was relaunched in 2024. The new Global Skills Fund covers all functions and locations and provides our employees with funding support to learn new skills and to learn collaboratively across the business. The investment culminates in our commitment to invest at least £5 million annually on skills development. Diversity, Inclusion, and Belonging ("DIB") are core pillars of our success, and moving into 2025, we are refreshing our DIB Strategy and associated action plan.[1]

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Our work on inclusion, development and wellbeing are all part of our drive to create a highly engaged workforce. In 2024 our engagement surveys were consolidated and completed in partnership with Gallup. The response rate was 84%, an increase from 2023, and showed meaningful improvement in topics such as Mission and Purpose, Recognition, and Materials and Equipment. In response to the feedback received, an organisation-wide initiative was launched to ensure continuous improvement actions are being undertaken with respect to the most material issues arising from the engagement survey for each team.

EXTERNAL RECOGNITION

We are pleased that our sustainability performance continues to be recognised by several key benchmarking agencies, including MSCI which upgraded our Environmental, Social and Governance ("ESG") rating to AA, making us a leader among our aerospace and defence industry peers. Melrose was assessed to be within the top decile of Aerospace businesses through external ratings agencies Sustainalytics, ISS and EcoVadis. Our ISS Corporate score was upgraded to C+, Prime (2023: C, Non-Prime) and GKN Aerospace's first evaluation of operational sustainability practices was completed with EcoVadis, receiving a silver medal with a score of 70 out of 100 for the first disclosure year. CDP Ratings of B were achieved for Climate Change and Water Security.

Sustainability has always been an important part of our strategy, and we firmly believe that this focus is not just the right thing to do, but is central to our success. We are grateful for the dedication of our employees, suppliers, customers and stakeholders who we work with to ensure responsible business practices. We have made significant progress throughout 2024, highlighted in this report, and aim to build on this work in 2025.

Peter Dilnot
Chief Executive Officer

EXAMPLES OF OUR INNOVATION AND TECHNOLOGY LEADERSHIP

H2GEAR

Continuing our ground-breaking work on hydrogen aircraft propulsion, including the successful test of the world's first cryogenically cooled hydrogen electric motor demonstrator.

eVTOL

Delivery of the first complete composite wings and booms for Supernal's first electric vertical take-off and landing ("eVTOL") demonstrator aircraft, underscoring our role as a key partner in the project.

DECARBONISATION OF OUR OWN OPERATIONS

Cowes, UK
A 1.2MW solar farm was completed at the GKN Aerospace Cowes site in 2024.

1.2MW
capacity

20%
of the site's energy needs supplied

1,153,442 kWh
electricity to be generated annually

Investment in decarbonisation
See page 19

SUSTAINABILITY HIGHLIGHTS

In 2024, we continued to focus on improving the key sustainability matters that impact our business and are of most concern to key stakeholders.

ESG RATINGS

AA

MSCI – ESG Rating: AA[1] (2023: A)

26.1

Sustainalytics – ESG risk rating improved to 26.1 (Medium)[2] from 27.8 (2023)

11th

Sustainalytics – ranked 11th out of 133 Industrial Conglomerates (2023: 12th out of 124)

65.9

Sustainalytics – ESG Risk Management score improved to 65.9 (Strong) from 62.5 in 2023

(1) As of June 2024, Melrose Industries plc received an MSCI ESG Rating of AA.
(2) As of October 2024, Melrose Industries plc received an ESG Risk Rating of 26.1 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.
(3) Applicable only within the scope of legally permitted jurisdictions.
(4) Senior Leadership positions defined as Executive Committee and Executive Committee -1.

ACHIEVING KEY MILESTONES AND SHAPING OUR BUSINESS FOR THE FUTURE

DIVERSITY AND INCLUSION

We have set targets[3] to achieve:

40%

women in senior leadership[4] positions by December 2025

13%

ethnic minorities in senior leadership positions by December 2027 (UK only)

Read more
pages 68 and 69

SUSTAINABILITY PERFORMANCE

During 2024, the Group demonstrated strong progress on our 2025 targets and commitments.

Read more in our target summary tables
pages 44 to 46, 51, 56, and 68 and 69

ENHANCING CLIMATE STRATEGY AND ENVIRONMENTAL DISCLOSURES

NET ZERO TRANSITION PLAN

We continue to drive down business emissions and further implement our decarbonisation roadmap in line with our Transition Plan.

Read more
page 18

INDUSTRY LEADERSHIP

Our investment in technologies and products contributes towards the decarbonisation of the aviation industry, from improving efficiency through to cutting edge transformational solutions.

Read more
page 22

VALUE CHAIN ENGAGEMENT

Developed and commenced a Supplier Engagement Project to prepare GKN Aerospace's procurement teams to build and execute supplier engagement roadmaps.

Read more
page 43

ENHANCING CLIMATE STRATEGY AND ENVIRONMENTAL DISCLOSURES CONTINUED

ISS CORPORATE SCORE

C+

Our ISS Corporate score was upgraded to C+, Prime with a decile ranking of 1[1] (2023: C, Non-Prime with a decile ranking of 4).

ECOVADIS SUSTAINABILITY RATING

Silver

GKN Aerospace received a silver medal and an overall score of 70/100 (well above air and spacecraft manufacturing industry average of 52) in its first assessment by EcoVadis.

CDP SUBMISSIONS

We achieved B for both our CDP Climate Change and Water Security disclosures

B

CDP Climate Change 2024 B (2023: B)

B

CDP Water Security 2024 B (2023: C)

SCIENCE BASED TARGETS

In line with our commitment relating to science-based emissions targets, GKN Aerospace's near- and long-term targets were validated by the SBTi in 2024.

Read more page 44

EMPLOYEE ENGAGEMENT

84%

An improved response rate was achieved for our employee engagement surveys of 84% (2023: 83%).

Read more page 61

ENHANCED RISK MANAGEMENT

We completed a deeper assessment of our sites' exposure to water risks in their locations and analysed associated biodiversity risks.

Read more pages 50 to 52

DOUBLE MATERIALITY ASSESSMENT

We refined our Double Materiality Assessment which was conducted for the first time in 2023.

Read more page 14

(1) Prime status is awarded to companies with an ESG performance above the sector-specific Prime threshold, which means that they fulfil ambitious absolute performance requirements. More information can be found at www.issgovernance.com/esg/ratings/

2025 OUTLOOK

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

We recognise that the global civil aviation commitments to net zero carbon emissions by 2050 will require improvements in aircraft and engine efficiency, improved flight management, the use of sustainable aviation fuels, and investment in innovative alternative energy solutions to minimise the need for market based measures or out of sector actions to address residual emissions. GKN Aerospace will continue to leverage its strong market position to harness the advantages of newly established partnerships with industry leaders in these dynamic and emerging markets, contributing towards the decarbonisation of the aviation industry.

We will continue to encourage our employees to support our corporate and operational sustainability efforts, as we work with our suppliers and customers globally to ensure responsible business practices. We also aim to uphold the highest standards of governance across all levels of our organisation, ensuring compliance with current and future regulations.

In 2025, we will continue to oversee and enhance our sustainability performance in the following key areas of focus:

- 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") related considerations, which can be found on pages 65 to 84 of our 2024 Annual Report.
- Identify and drive improvements in line with agreed short- and medium-term targets and across our material topics as identified and prioritised by the Double Materiality Assessment, which will be finalised in 2025.
- Continue to improve our reporting, aligning with CSRD requirements as well as driving improvements to commence our journey towards our 2030 targets.
- Further advance CSRD implementation in our FY25 disclosure cycle through improving sustainability data quality and reporting, ensuring preparedness for external assurance in line with the new regulatory requirements.
- Continue to drive down business emissions and further implement our decarbonisation roadmap in line with our Transition Plan and the recently validated Science Based Targets, in our own operations and across the value chain through our divisional supplier engagement roadmaps.
- Continue to invest and collaborate in the research and development of low carbon technologies to support the decarbonisation of the aviation sector through programmes such as RISE, ASCEND and H2GEAR, with support of the UK Aerospace Technology Institute, Netherlands Luchtvaart in Transitie, and EU Clean Aviation.
- With a number of GKN Aerospace sites having implemented the 'Assent' supplier collaboration and compliance portal by the end of 2024, the remaining sites will do so in the first half of 2025 ensuring complete utilisation of the portal.
- Continue to invest in new skills opportunities through our Global Skills Fund.
- Continue to promote diversity and inclusion across all levels of the business as we refresh our Diversity, Inclusion, and Belonging Strategy, and associated action plan and Steering Committee, in compliance with local laws.

GROUP SUSTAINABILITY PRINCIPLES, MATERIAL TOPICS AND TARGETS

Our sustainability improvement principles are linked to our targets, material topics, concerns of our relevant stakeholders, and the United Nations Sustainable Development Goals ("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. 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 2023 we expanded our 2025 targets, reflecting the progress we had already made, with a number of targets achieved early. The original set of 2025 targets were initially defined in 2020 based on what was known and deemed possible at that time. In the subsequent years, increasing focus on sustainability with our leadership team and our employees helped to identify additional opportunities to push beyond those targets, leading to a desire to extend those targets further.

Our sustainability targets are progressively reviewed each year to reflect the changing business dynamics and evolving stakeholder expectations, and to fully align with changes in regulatory expectations. Meanwhile, we retain alignment with our strategic priorities to tackle climate change and other environmental challenges, build stronger communities and a more diverse workforce, and further embed sustainability across our governance systems. Where targets are met early, new targets are considered to drive continuous improvement. With this in mind, we will be introducing a new set of 2030 targets in our next reporting cycle. These will be informed by performance against our existing 2025 targets, the results of our efforts to align our disclosures with CSRD and the current state of business.

During 2024, the Group demonstrated solid performance and strong dedication to deliver progress on our sustainability targets. Our performance against our existing targets is set out throughout this report.

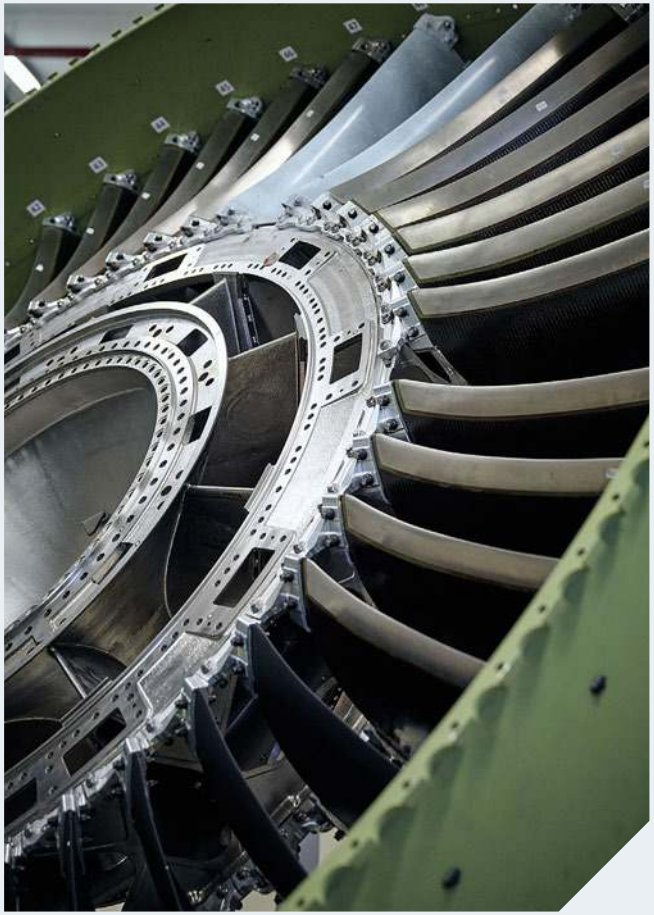
These include targeted reductions in Scope 1 and 2 emissions intensity, water withdrawal intensity, absolute Scope 1 and 2 emissions (as validated by the SBTi), and waste to landfill, as well as maintaining diversity across the business, and maintaining a Lost Time Accident ("LTA") frequency rate of less than 0.1.

Our medium- and long-term targets are progressively reviewed each year to reflect our Double Materiality Assessment. We have begun work on our Double Materiality Assessment to re-assess our material topics in line with the European Financial Reporting Advisory Group ("EFRAG") Materiality Assessment Implementation Guidance in 2024. Once this is completed, we will seek to align our new value creation strategy with the sustainability matters that are of most concern to our stakeholders, and embed these into our core business agenda.

→ **For more information on how we align our targets to UN SDGs please see our website at** melroseplc.net

→ **Outline of our value creation and value chain structure** pages 12 and 13

→ **Overview of our methodology of our double materiality assessment so far** page 14



1. Respect and protect the environment

SDG		Sustainability improvement objectives	Targets
6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION	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 lifecycle Target 13.2: In recognition of climate change as a principal risk, we integrate it into strategic thinking and future planning	• Invest to improve operational efficiencies by minimising environmental impact through reduced energy consumption, CO_2 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.	• Reduction in Scope 1 and 2 GHG emissions intensity.(1) • % of global electricity sourced from renewable sources.(2) • % of our solid waste diverted from landfill.(3) • Reduction in water withdrawal intensity.(1) • Reduction in absolute Scope 1 and 2 GHG emissions (SBTi Validated). • Reduction in absolute Scope 3 GHG emissions (SBTi Validated).(4) • Achieve net zero GHG emissions across the value chain. • % of suppliers by spend covering purchased goods and services have science based targets.

2. Continue to invest in and support development of products and services aligned with a net zero future

SDG		Sustainability improvement objectives	
7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION	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 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 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	• 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.	• % of total R&D expenditure on climate-related R&D annually to contribute to the decarbonisation of aerospace. • % of new products which contribute to the decarbonisation of aerospace.

3. Prioritise health and safety, promote diversity and nurture the wellbeing and skills development of employees, and support the communities that they are part of

SDG		Sustainability improvement objectives	
3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	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 in compliance with local laws Target 8.8 We implement effective policies and procedures to drive best health and safety practices and promote fair employment and skills development	• 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.(5) • Promote fair employment and skills development. • Ensure that our people have a voice and can inform executive decisions.	• Protect our employees(6) from injury and maintain our lost time accidents ("LTA") frequency rate.(7) • Invest £5 million on skills development per year. • Ensure that all employees receive regular (annual) performance reviews.(8) • % female Board membership. • At least one member of an ethnic minority background on the Board. • % of women in senior leadership(9) positions by 2025.(10) • % of ethnic minorities in the executive committee and its direct reports by 2027 (UK only).(10)

4. Exercise robust governance, risk management and compliance

SDG		Sustainability improvement objectives	
8 DECENT WORK AND ECONOMIC GROWTH	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	• 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.	• Compliance of all employees, suppliers and contractors with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner.

(1) The Group's chosen intensity ratio is energy consumption, emissions and water withdrawal reported above normalised megawatts usage ("MWh"), tonnes of CO_2e, or m^3 per £1,000 of turnover. The data has been standardised from the source units in which it was initially collected. The turnover 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) Excluding hazardous waste.
(4) 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.
(5) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.
(6) Throughout this Sustainability Report the definition of employees includes the following categories of employment: "regular", "temporary", "apprentice", and "intern/co-op", but excludes "agency" workers.
(7) The target does not include contractors.
(8) Where permitted by local laws and employee representative bodies.
(9) Senior Leadership roles defined as Executive Committee and Executive Committee -1.
(10) Applicable only within the scope of legally permitted jurisdictions.

SUSTAINABILITY GOVERNANCE

Our sustainability and climate change governance framework supports our ambitions by addressing material topics, assessing and managing risks and opportunities, and setting targets under Board oversight.

In 2024, matters discussed by the Board included performance against targets, material topics, alignment with CSRD, and ESG ratings. Sustainability-related opportunities such as investment in significant projects are typically presented to and discussed by the Board for sign-off where appropriate.

In preparation for compliance with CSRD, throughout 2024, the Board was educated on the requirements of the CSRD regulation, which will continue throughout 2025 as Melrose works towards full compliance. This communication is part of the Board's regular consideration of sustainability-related matters when it reviews and guides strategy and directs its implementation through oversight of financial and operational performance and quarterly Board meetings. Relevant Board member experience on sustainability matters can be found within the Directors' biographies on pages 108 and 109 of our 2024 Annual Report. We will continue to monitor the skills and expertise required to oversee the identified material sustainability matters sufficiently to ensure the Board is appropriately trained.

The Audit Committee is responsible for risk management and reviewing the principal risks, including sustainability risks. The Nomination Committee ensures Board diversity and effective succession planning, while the Remuneration Committee is responsible for sustainability considerations in executive pay.

The Chief Technology Officer ("CTO"), who is part of the Melrose senior management team ("SMT"), leads the Group Sustainability Function ensuring sustainability and climate-related risks and opportunities are embedded in strategy and governance. This function manages priorities, tracks performance against targets on a quarterly basis, and oversees sustainability strategy implementation. It also works in collaboration with divisional sustainability teams and has reporting protocols to ensure the business lines' management are accountable for achieving progress on sustainability-related matters.

INTEGRATING ESG-RELATED PERFORMANCE INTO OUR INCENTIVE SCHEMES

Melrose incorporates sustainability-related performance into its executive management remuneration. 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 2024, we have integrated an ESG metric into executive remuneration as an element of the 2024 performance share plan. For more details please see page 141 of our 2024 Annual Report.

STATEMENT ON DUE DILIGENCE

This table maps where in our sustainability disclosure we provide information about our due diligence process, including how we apply the main aspects and steps of our due diligence process.

Core elements of due diligence	Sections in the Sustainability Report
a) Embedding due diligence in governance, strategy and business model	• Sustainability governance • Integrating sustainability-related performance into our incentive schemes
b) Engaging with affected stakeholders in all key steps of the due diligence	• Sustainability governance • Interests and views of stakeholders
c) Identifying and assessing adverse impacts	• Double Materiality Assessment
d) Taking actions to address those adverse impacts	• Action sections
e) Tracking the effectiveness of these efforts and communicating	• Targets and Metrics sections

SUSTAINABILITY AND CLIMATE CHANGE GOVERNANCE FRAMEWORK

MELROSE BOARD OF DIRECTORS

Has oversight of and ultimate responsibility for the Group sustainability strategy, including climate-related risks and opportunities and is supported by the senior management team

AUDIT COMMITTEE

Responsible for:

- risk management and the integrity of the Group financial statements, control systems and compliance controls, which over time will integrate sustainability-related financial information, including any related to climate change; and
- meets at least three times a year.

REMUNERATION COMMITTEE

Responsible for:

- executive remuneration including integrating of sustainability criteria into pay; and
- meets at least twice a year.

NOMINATION COMMITTEE

Responsible for:

- ensuring that plans are in place for orderly succession for Board positions, as well as overseeing the development of a diverse pipeline for succession; and
- meets at least twice a year.

SENIOR MANAGEMENT TEAM

- Cross-functional team including Group corporate, HR, finance, legal and sustainability (under CTO).
- Responsible for executing the Board's overall sustainability strategy, including climate change considerations.
- Oversees quarterly divisional sustainability performance reporting against business KPIs and targets.
- Identifies, assesses and prioritises climate risks and opportunities.
- Advises the Board and the Committees on governance and regulatory requirements, including on climate change.

COMPANY SECRETARIAT

Workforce advisory panel

Responsible for promoting the views and interests of the workforce

SUSTAINABILITY FUNCTION

Central ESG/Sustainability team responsible for:

- cross-functional integration, coordination and governance of all ESG activities;
- governance of ESG data, quarterly performance against targets, internal and external assurance and audit, and annual reporting and disclosures;
- compliance with public company ESG obligations and requirements;
- development and execution of our Transition Plan;
- leading materiality assessments, climate scenario analysis, sustainability and climate risk assessment;
- proposing key strategic ESG priorities for SMT and Board approval and incorporation into business strategy;
- engaging ESG ratings agencies, shareholders and proxy advisors on sustainability and climate topics;
- integration and monitoring of ESG initiatives towards fulfilling sustainability targets and commitments; and
- coordination of ESG supply chain programme.

CORPORATE FUNCTIONS

	HSE	CFO	Legal	HR	Quality
Primary focus	• Health and safety. • Waste management. • Environmental compliance (ISO, water, waste, air, etc.). • HSE auditing.	• Financial resilience and controls. • TCFD financial risks. • Information security. • IT energy efficiency.	• Ethics and compliance including bribery and corruption. • Board and Committee oversight.	• Diversity and inclusion. • Engagement. • Education, training and skills. • Human rights.	• Product Safety: Escape prevention. • Safety Management System. • Global Quality standards. • Quality culture training and awareness.
Wider scope	• Site energy efficiency best practice. • Biodiversity.	• Data, systems and reporting.	• Legal and regulatory compliance. • Corporate governance.	• Wellbeing. • Attrition/retention. • Community outreach. • Fair employment. • Trade union engagement.	• Assurance and compliance.

DIVISIONS

- Divisions provide one point of contact for customers and suppliers, with complete ownership from procurement, supplier management and operations, to customer demand management and customer delivery

Responsible for:

- keeping our people safe and delivery of safe products to our customers;
- development and execution of strategy in line with Board approved ESG targets and market and customer needs;
- performance of operational sites and suppliers including execution of plans, performance and reporting in line with ESG goals;
- integration, cascade and compliance with all regulatory, customer and internal standards and policies; and
- management of risk, including risk related to ESG topics and maintaining business continuity.

DIVISIONAL SUSTAINABILITY TEAMS

- Monitoring and delivery of operational ESG performance towards fulfilling sustainability targets and commitments in line with the divisional management and business plans and strategy.
- Management, implementation and oversight of divisional sustainability strategy and climate-related risk assessment and implementing mitigation actions where necessary.
- Implementing actions for adapting to changing customer preferences, divisional markets' demands and regulatory requirements for sustainability and climate topics.

INTERESTS AND VIEWS OF STAKEHOLDERS

The Board is responsible for the long-term success of the Company, for setting and overseeing its culture, and for the Company's purpose, strategy and values. The Board's understanding of the Company's stakeholders and their respective interests is central to these responsibilities and informs key aspects of its decision-making.

The Board cultivates strong relationships with the Group's key stakeholders so that it is well placed and sufficiently informed to take their considerations into account when making decisions regarding the strategy and business model. Stakeholder engagement is on the Board's agenda to enable the Board to assess whether the Company's principal stakeholders and their priorities have changed, and whether the Board has sufficient engagement with each key stakeholder group. The Board is informed of stakeholder interests and views in the various ways outlined in the section 172 statement in our 2024 Annual Report on pages 45 to 50.

The form that is chosen for any specific dialogue depends on the topic and on the stakeholder(s) involved, since not every stakeholder of the Company can be regarded as equally relevant to every aspect of our strategy, including sustainability. We maintain regular contact with a range of stakeholders, including our employees, customers and suppliers, business partners, shareholders and other investors, financial and ESG analysts, rating agencies, governmental bodies, the media, civil society organisations, and educational and research institutions.

Additional stakeholder engagement was also conducted specifically as part of the Double Materiality Assessment to ensure their views were incorporated into the identification and scoring of impacts, risks and opportunities. This included, but was not limited to, engagement with internal employee representatives, customers, legal experts, academics with expertise in environmental impacts and community representatives, allowing us to obtain insights from each of our identified stakeholders.

VALUE CREATION AND VALUE CHAIN

To support the identification of sustainability matters across the Group's value chain, the wider context of how we generate value for our stakeholders and our activities across our value chain was considered. The process included a focus on activities, business relationships and geographies that could give rise to a heightened risk of adverse impacts. The table below outlines how we create value for our stakeholders, aligned to our strategies, financial resilience and societal impact.

VALUE CREATION

INPUTS (2024)

FINANCIAL CAPITAL

- Long-term and stable shareholder structure.
- A diverse portfolio of Risk and Revenue Sharing Partnerships (RRSPs) enables GKN Aerospace to share risks and revenues.

£2,844m Equity

£1,321m Net debt

OPERATIONS CAPITAL

- Extensive production facilities using proprietary technology with safety, efficiency and reliability embedded into all processes.

4 technology and Innovation centres

32 manufacturing sites

NATURAL CAPITAL

- Our reliance on natural resources including energy, water and virgin materials means sourcing sustainable alternatives, efficient material use, and increasing circularity is vital.
- Development of a net zero transition plan.

454,248 MWh energy consumption

647,192 m^3 water withdrawal

HUMAN CAPITAL

- The commitment, skills and expertise of our workforce is critical to achieve high quality outputs.
- The health and safety of our workforce is our number one priority. A comprehensive health and safety management system is in place.
- Investment in talent and development.

13,737 total number of employees

£5.7m invested in workforce training during 2024

SOCIAL AND RELATIONSHIP CAPITAL

- Contribution to local charitable and community initiatives, both in terms of volunteering time, material resources and local employment.

£222,000 spent on charities and local communities in 2024

INTELLECTUAL CAPITAL

- Investment in R&D to innovate, build excellence and generate long-term growth.
- We partner with industry peers, academic institutions, and government bodies as part of our R&D.

Over £80m climate-related R&D spend in 2024

HOW WE CREATE VALUE

Design, Deliver, Improve

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

In order to create value through our proprietary technology offerings, we aim to:

- Profitably capture OEM and aftermarket growth
- Expand into new targeted opportunities
- Advance favourable positions in next generation aircraft

Engines

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

Structures

We support our customers with design leadership and proprietary technologies to improve aircraft performance and functionality.

Quality and safety

GKN Aerospace has highly regulated and audited product quality and safety processes and procedures in place to ensure all our products are of the highest quality and are safe for everyone to use.

Partnership

GKN Aerospace is a global partner with technology leadership, committed to remaining at the forefront of advancing aircraft efficiency and pioneering the development of sustainable aircraft of the future.

OUTPUTS (2024) / OUTCOMES (2024)

FINANCIAL CAPITAL

Current profit growth in line with expectations

£3,468m Revenue

£1,459m Engines Revenue

£2,009m Structures Revenue

19 RRSPs built up over many decades

17 RRSPs in the cash generation phase

- Long-term sustainable growth.
- Our strong ESG investor ratings reflect our commitment to sustainable value creation.

26.4p Adjusted diluted earnings per share

AA MSCI rating

OPERATIONS CAPITAL

100,000 flights per day on which we have technology on-board

96% of the Group's portfolio is certified to ISO 9001 or EN/AS9100

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

NATURAL CAPITAL

Ambitions to reduce the emissions and waste such as metal offcuts, chemicals, wastewater and packaging, from our operations.

17,639m^3 reduction in water withdrawal year-on-year

5% CO_2e absolute reduction in emissions year-on-year

434 tonnes reduction in waste year-on-year

- Contribution to the decarbonisation of the aerospace industry.
- Improve the circularity of the aircraft lifecycle by expanding repair capability and exploring recycling of material off cuts.

HUMAN CAPITAL

72% male

27% female

0 fatalities

<0.1 LTA frequency rate in 2024

88% of employees received training in 2024

25 global graduates joined in 2024

8,107 employees covered by collective bargaining

- A healthy, diverse workforce with the skills to meet customer demands.
- Strong recruitment pipeline.

84% employee engagement response rate

7.81% employee turnover rate

SOCIAL AND RELATIONSHIP CAPITAL

Examples of our community initiatives related to social issues

pages 74 and 75

Flourishing communities with increased employment opportunities and job skills.

INTELLECTUAL CAPITAL

Proprietary technology and product solutions to make our customers' aircraft and engines perform better.

Support and participate in the industry's innovation.

>785 patents to safeguard our innovations

Our value chain in the table below shows an overview of our activities, key functions and people, in the creation and delivery of our products to our customers. We operate across our Engines and Structures divisions with similar steps and processes in our value chain.

VALUE CHAIN

UPSTREAM

SUPPLIER MANUFACTURING PROCESSES

Upstream value chain includes multiple players and various activities including:

- raw material extraction and processing;
- refining and melting of metals; and
- intermediate products and materials to develop metal parts, composites, sub-components and systems.

TRANSPORT WITHIN/ACROSS GKN AEROSPACE SITES

OWN OPERATIONS

The Group operates with one brand for its customers, GKN Aerospace, and one brand for financial markets, Melrose Industries PLC.

Our global presence in 2024

13,737 employees

12 countries of operation

3 engine repair centres of excellence

32 manufacturing sites

4 technology and innovation centres

By region

UK	Rest of Europe	North America	Other
3,196 employees	**6,150** employees	**3,027** employees	**1,364** employees

Key activities

Designing, machining, assembly and repair of components and subcomponents for civil and defence engines and airframe structures including wiring components, cured composites, fuselages, empennages, nacelles and wing component solutions.

Maintenance, repair and overhaul ("MRO")

To support circularity in the industry through increasing the lifespan of our products, we deliver spare parts and MRO solutions for our customers' aircrafts.

Key functions

Our key functions which help us design and implement our sustainability strategy include Health, Safety and Environment ("HSE"), Product Safety and Quality, IT, and Commercial.

DOWNSTREAM

DISTRIBUTION

Air freight, trucking and shipping.

PROCESSING PHASE

Direct customers: Engine and Aircraft OEMs – GKN Aerospace components and systems are installed into the final aircraft.

USE PHASE

The aircrafts are used across two end markets:

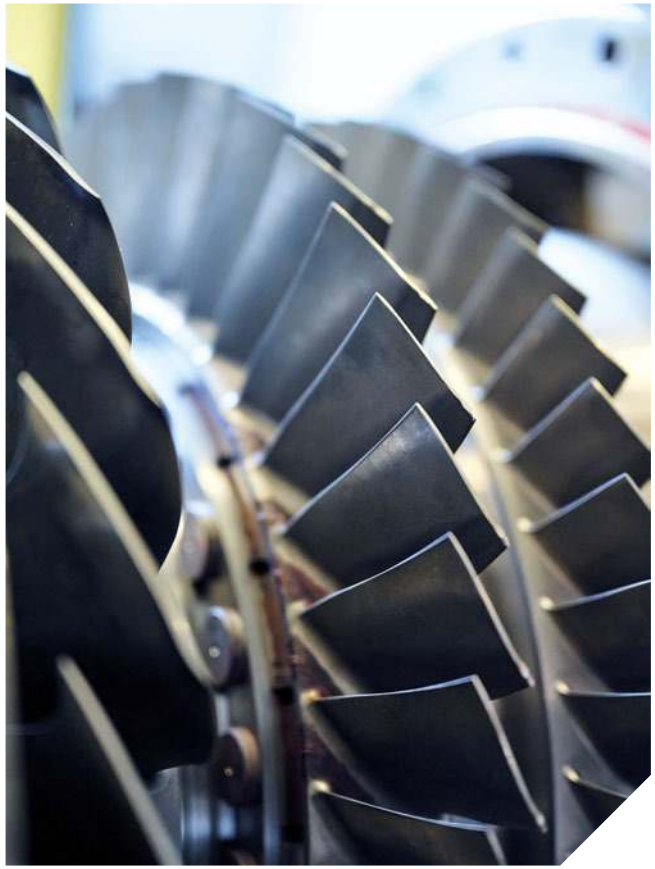
- civil – commercial flights for domestic and international travel; and
- defence – national security and military operations.

END-OF-LIFE PHASE

Disposal or recycling of the aircraft at the end of its life. A high proportion of GKN Aerospace products are returned and reused. A minimal amount goes to landfill.

DOUBLE MATERIALITY ASSESSMENT

In 2024, we refined our Double Materiality Assessment, which was conducted for the first time in 2023. The assessment identified our material sustainability topics, developing an understanding of their financial and impact materiality in line with CSRD.



During the year, we sought to adopt the requirements of the CSRD framework and determine which ESRS topics are material to Melrose requiring reporting under the ESRS standards. This year's DMA was therefore updated with reference to the ESRS July 2023 standards and applied the European Financial Reporting Advisory Group ("EFRAG") implementation guidance: EFRAG IG 1 Materiality Assessment and EFRAG IG 2 Value Chain. The 2024 assessment first identified a list of high-level material CSRD sustainability topics. The list of topics informed a more granular assessment of impacts, risks and opportunities ("IROs") that were potentially material for Melrose, which we commenced in late 2024 and will finalise in 2025.

The key goal of the 2024 DMA process was to identify and assess both the risks and opportunities that could financially impact the Group and the implementation of the Group's strategy, and identify and assess the Group's impacts on people and the environment. The identification and assessment of IROs encompassed both our own operations and the upstream and downstream value chain, including any other business relationships that our operations could affect or be affected by.

In accordance with the ESRS, we considered short-, medium- and long-term horizons when examining the identified IROs. Impacts were scored against 'likelihood', 'scale' and 'scope' and, for negative impacts only, 'irremediability.' Risks and opportunities were scored against 'likelihood' and 'magnitude'. If an IRO in relation to a sustainability topic was determined to be material from either a financial[1] or impact[2] perspective or both, the topic was deemed to be material.

To ensure these assessments are comprehensive, key Melrose functions and internal experts were consulted to obtain their views. External stakeholders were also engaged in a series of consultations, either as an affected stakeholder themselves (investor, supplier, customer) or as a representative of affected stakeholders (academic, local council). The insights gained from stakeholder engagements were taken into account when assessing the IROs together with relevant industry research and documentation.

The DMA prepares us for CSRD-aligned reporting and guides our sustainability strategy and investments to help tackle the most relevant risk exposures to society and the environment, and further integrates sustainability into our broader business strategy. We also tailor activities, policies, targets, and commitments based on our DMA. Our journey towards an integrated, holistic approach to sustainability management reflects our commitment to supporting GKN Aerospace in its ambition to become the most trusted and sustainable partner in the sky. Aligned with existing business reviews, our material topics will be reviewed annually in the preparation of the Annual and Sustainability Reports, with a full double materiality assessment carried out every three years.

As the assessment outcomes of our DMA are yet to be finalised, the topics reported on in this Sustainability Report are based on our previous materiality assessment (2023) using the ESRS headings. See mapping of material topics to ESRS topics in the table below. In some cases the Melrose material topic covered more than one ESRS topic and therefore there are duplicates. This Sustainability Report has also been structured in line with the ESRS framework of risk assessments, policies, actions, targets and metrics in preparation for future reporting.

ESRS Topic	Material Topics ('Major' and 'High')
ESRS E1 Climate change	Climate change: mitigation and adaptation
	R&D for sustainable innovation
	Sustainable supply chain and responsible sourcing
ESRS E2 Water and Marine resources	Water stewardship
ESRS E5 Resource use and Circular economy	Circularity and waste reduction
ESRS S1 Own workforce	Talent and workforce engagement and development
	Respect for human rights
	Occupational health, safety and wellbeing
ESRS S2 Workers in the value chain	Respect for human rights
	Sustainable supply chain and responsible sourcing
ESRS S4 Consumers and end-users	Product safety and quality
ESRS G1 Business conduct	Business integrity
	Information security

Topics highlighted as 'Moderate' in the 2023 DMA are monitored and actioned upon when necessary. These were: Biodiversity, Community impact, Diversity and equal opportunities, and Pollution.

For 2023 DMA results see 2023 Annual Report page 47

(1) That is, risks or opportunities that "have a material influence or could reasonably be expected to have a material influence on the undertaking's development financial position, financial performance, cash flows, its access to finance or cost of capital over the short- medium- or long-term" – per ESRS 1 General Requirements, 3.5 Financial materiality.
(2) An impact is material when "it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term" – per ESRS 1 General Requirements, 3.4 Impact materiality.

SUSTAINABILITY RISK MANAGEMENT AND INTERNAL CONTROLS

Sustainability risks are integrated into the Company-wide risk management process and the same criteria are applied for identifying, assessing and managing these risks.

Climate change, in particular, forms part of the principal risks suite and is subject to annual review by the Melrose senior management team, the Audit Committee and the Board. Climate change has been reported as one of the Group's principal risks since 2021. Its management and internal controls are overseen by the Board in alignment with the internal control guidance for Directors set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board with the support of the Melrose senior management team is responsible for ensuring an appropriate culture has been embedded throughout the organisation to ensure effective principal risk management.

SUSTAINABILITY RISK MANAGEMENT PROCESS

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 risk trend to the Audit Committee and the Board.

During 2024, the multi-disciplinary team including finance, sustainability, operations, legal and compliance re-assessed the 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. We also refined and reviewed our climate-related risks and opportunities which we had identified as part of our 2023 comprehensive climate scenario analysis. 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. We have also assessed the climate-related impacts that Melrose has as part of this review. This has ensured we are aware of any new climate-related risks and opportunities that have become relevant to Melrose throughout the year.

For more information on governance and management of climate risks, please refer to our TCFD report in our 2024 Annual Report on pages 65 to 84. For more information on our approach to management of principal risks, please see the Risk management and Risks and uncertainties section in our Annual Report on pages 34 to 44.

With upcoming regulations and new frameworks, such as the Taskforce for Nature Related Financial Disclosures ("TNFD"), mandating risk assessment requirements for a wider scope of environmental and social topics, Melrose is working to further understand its impact. Further progress has also been made in the assessment and understanding of potential water and biodiversity risks that sites can be exposed to.

MANAGEMENT OF ESG DATA

The identification and oversight of material controls over the ESG data is the responsibility of the CTO and the Group Sustainability Function, which runs an established yet evolving programme of regular monitoring and review (at least quarterly) of processes that are consistently robust across the Group. This is complemented by reporting protocols to ensure divisional 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 is tailored for our chosen metrics and targets.

Site-level data owners are responsible for collating and entering the required information which is then reviewed by the data approvers at the business line or functional level. It is the approvers' responsibility to consult the data owners on unusual entries and trends, then approve in the local system, once satisfied with the robustness of the information. The master data managers are available to support the functions and business lines with their submissions and approvals and a business intelligence team supports the data warehouse and dashboard infrastructure. The CTO signs off the consolidated numbers. In 2024, we completed a sustainability data pre-assurance project in preparation for formal limited assurance in the coming years. The project, facilitated by an external third party, included an assessment of our data management process as well as a sample of site visits. As a result, we have further improved our sustainability data management systems to ensure future compliance.

INTERNAL CONTROLS

The Audit Committee monitors the effectiveness of the internal control process implemented across the Group through a review of the key findings presented by the internal and external auditors, and the output from the Group's risk identification and mitigation process. The Melrose senior management team is responsible for ensuring that the Audit Committee's recommendations in respect of internal controls and risk management are implemented.

DRIVING SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

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

ADVANCING SUSTAINABILITY GOALS

Read more
pages 44 to 46, 51 and 56

30

sites across our businesses were certified to ISO 14001 standard (2023: 34 sites, 68%)

5

sites achieved ISO 50001 certification (2023: 5 sites, 10%)

IN THIS SECTION

17 Environmental management
18 Climate change
50 Water
52 Biodiversity and ecosystems
53 Resource use and circular economy

INNOVATION AT THE CORE

Read more
page 22

ENVIRONMENTAL MANAGEMENT

The purpose of our environmental strategy is twofold: we seek to address environmental impact from an operational perspective, backed by ambitious sustainability targets; and we seek to help our customers address their environmental impact and to contribute to the decarbonisation of the aviation sector.

Our Group environmental policy, as approved by the Board, demonstrates our commitment towards driving sustainable production methods and infrastructure, and minimising the potentially 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.

Group Environmental policy
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.

As of 31 December 2024, in recognition of the business's strong focus on ensuring efficient and sustainable use and management of energy and natural resources, 30 sites (65%) across GKN Aerospace were certified to ISO 14001 standard (2023: 34 sites, 68%) and five sites (11%) had ISO 50001 certification (2023: five sites, 10%), which provides strong criteria for responsible management of environmental impact. GKN Aerospace's manufacturing sites (unless agreed with HSE Directors) must achieve, or be working towards, the ISO 14001 certification. Where sites do not hold relevant environmental ISO certifications, they are required to adhere to the principles of the requirements including identifying and mitigating their environmental risks.

Compliance to the relevant environmental ISO 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, GKN Aerospace's Environment Standard published in 2023, remained in place this year, providing the sites with minimum standards that they must adhere to. This includes:

- ensuring their site identifies and complies with any additional environmental laws or regulations required to operate their facility lawfully;
- all sites are required to submit their annual returns to the appropriate regulatory body for air, water and waste emissions (reporting frequency may vary); and
- any planned building and ground maintenance works must comply with the relevant country's planning laws and all ecological permits and licences to be in place before undertaking the work.

Investment in, and deployment of, effective systems and processes designed to manage and minimise our environmental impact is actively encouraged across the entire organisation.

CLIMATE CHANGE

ENABLING A SUSTAINABLE TRANSITION TO NET ZERO

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 our value chain by 2050, and how we plan to contribute to reducing the climate impact of aerospace. As such, this has been considered in the operation of the business in 2024.

→ **Transition Plan**
melroseplc.net

→ **Key emission reduction actions taken throughout 2024**
pages 39 to 43

Our Transition Plan outlines our objectives, priorities, detailed plans, and projects to reach our science-based emissions reduction targets, which have been validated by the SBTi in 2024. 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. Manufacturers need to scale up production of the world's most efficient aircraft in a sustainable manner, while developing future aircraft that will reduce and ultimately eliminate the climate impact of aviation. Industry-wide collaboration is central to tackling this challenge successfully, given the hugely complex aerospace supply chains, cumulative support delivered through cross-sector partnerships, and enabling the required infrastructure. The UK Government has committed to achieving net zero carbon emissions by 2050, reducing net CO_2e 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, investment in innovative alternative energy solutions and finally, the use of out of sector levers to address residual emissions.

With our 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. This has resulted in shorter production lead times and more affordability for our global customers. Our Scope 1 and 2 targets are aligned with the ambition and emissions reduction trajectory required to curb global temperature rise to 1.5°C, and our 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 reaching net zero by 2050.

We drive significant progress to support the net zero agenda through decarbonising our own operations and driving impact throughout the value chain.

Strategic ambition

GKN Aerospace's long-standing mission is to become the most trusted and sustainable partner in the sky. In practice, this includes driving significant progress to support the net zero agenda through decarbonising our own operations and driving impact throughout the value chain.

We engage regularly with national governments, funding bodies, trade and industry associations, and other industrial organisations on a range of topics related to sustainability. These engagement activities cover broad themes, such as sustainable aviation, skills and workforce issues, the integration of advanced manufacturing into our operations and the adoption of both incremental and disruptive aerospace technologies, including hydrogen propulsion for zero emissions flight. We perform key influencing roles in a number of UK, EU and US bodies to ensure that the plan for net zero can be met alongside the projected sectoral growth.

Within the UK, we work within the Jet Zero Taskforce, 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 and the development of hydrogen fuelled aircraft. 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 pathway to achieve net zero in defence aviation.

In a European context, GKN Aerospace is an active member of ASD Europe, the association focusing on Aerospace, Security and Defence, and works with partners to advocate on the topics mentioned previously. Moreover, 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. We believe that industry and trade organisations are better positioned to influence policy, law or regulations impacting climate change as they bring the depth and widest representation of industry views and best practices and therefore the contribution is more efficient.

Financial planning

Financial planning and change management required for our transition to net zero includes setting financial targets and governance systems at various levels for programmes and initiatives. For example, investment in energy efficiency and green optimisation measures, sponsoring capex and 'greening' our energy mix, engagement with suppliers, as well as management of the material climate transition and physical risks. For further details on how climate change is taken into account, see the Notes to the Consolidated Financial Statements in our 2024 Annual Report pages 173 to 225.

Financial planning for decarbonising our operations and supply chain

For Scope 1 and 2 emissions reductions, our focus in the near term is on implementing our existing strategies or developing new ones to minimise emissions in operations that represent hard-to-abate, carbon-intensive assets. This may be through the replacement of old equipment and machinery, energy efficiency programmes or certain upgrades to our existing procedures at plants. We realise that in order to meet our emissions reduction target, we need to decarbonise those priority carbon-intensive assets that are the largest contributors to operational carbon footprint, and we anticipate potential costs associated with this in the medium and long term.

For our indirect Scope 2 emissions reduction, over the longer term, further investment in direct procurement of renewable electricity purchase agreements (Power Purchase Agreements ("PPAs") or Virtual Power Purchase Agreements ("VPPAs")) is required. In order to deliver real-time Greenhouse Gas emissions reductions in the grid systems where we consume electricity, developing microgrid solutions and internal projects to provide stable and reliable on-site renewable energy generation will be required in the long run. We are therefore working across divisions to identify the best possible routes to building our own capacity which will require investment, change in capex, time, and resource.

For the upstream aspect of our Scope 3 footprint, we are developing a roadmap which will guide our engagement programme with Tier 1 suppliers (for those procured products and services where prioritised investment on engagement will have the most material impact on reductions) and the associated financial planning to achieve our targets.

Developing microgrid solutions and reliable on-site renewable energy generation is key to reducing our GHG emissions.

Financial planning for decarbonising our products

As for downstream Scope 3 emissions, our target to maintain the share of research and development ("R&D") investment aligned to climate or aerospace decarbonisation, helps us to stay focused on our commitment to gradually grow the number of associated 'green' products as a long-standing commitment to meet, or where possible exceed, our customers' expectations. The most immediate focus for GKN Aerospace is to enable our customers to deliver the world's most efficient aircraft and engines, to replenish fleets around the world, and reduce the environmental impact of flight. Our support extends to further improvements on these existing platforms, such as our involvement in the Geared Turbofan ("GTF") Advantage performance improvement programme, which will deliver improved fuel burn and reduced emissions, and has also been successfully testing for 100% Sustainable Aviation Fuel ("SAF"). Our role specifically has been to reduce weight on the Turbine Exit Case ("TEC") compared to the GTF base configuration.

In 2024, we invested over £80 million on climate-related R&D programmes[1] that primarily aim to develop technologies to help our customers improve energy efficiency and reduce GHG emissions compared with conventional technologies. GKN Aerospace is collaborating with all of the world's leading aircraft and engine manufacturers, to apply our design leadership and technology innovation to enable our customers to launch the next generation of highly efficient aircraft, which will be designed from the outset to be ready for sustainable aviation fuels. Collaboration continued with both the GE/Safran CFM RISE engine demonstrator, with Pratt & Whitney ("P&W") on the next generation GTF engine, and also with Airbus in preparation for the next generation of Airbus aircraft.

R&D investment in low carbon technologies, such as battery electric and hydrogen, provide us with avenues to enable our customers to eliminate in-flight emissions. GKN Aerospace's work continued in the H2GEAR technology programme, to develop core capabilities in hydrogen electric power generation, cryogenic electrical distribution and motors.

We also have a target to achieve 100% of new product launches that contribute to the decarbonisation of aerospace by 2025. Although we envisage an increase in investment and revenue from low-carbon products to ensure we hit our target, the actual financial returns are yet to be quantified. This is due to a high level of uncertainty and assumptions around revenue streams which depend on technology development and the aerospace market growth rates.

Financial planning for addressing climate transition and physical risks and opportunities

Climate change risks are taken into account in Melrose's impairment testing which includes short to medium-term planning (five years) for our cash-generating units ("CGUs"), and addresses known risks from climate change and other environmental factors impacting forecast costs as well as the opportunities in associated markets as they prepare for change, for example, hydrogen propulsion and electrification, which may impact revenues. We continue to work on further integrating climate change risks and opportunities into our financial planning processes.

As outlined in our TCFD report on pages 65 to 84 of our 2024 Annual Report, we have started to quantify our climate-related risks and opportunities. Potential climate risks and opportunities have been reviewed from the financial perspective to determine the scale of financial impacts of risks or costs to pursue the associated opportunities, noting that they are increasingly interlinked with many other business and external factors, many of which are outside of our control. This review was aligned with our Company-wide risk management processes and approach in its definitions of risk impact and associated financial costs. The assessment of potential financial impacts required many assumptions in respect of factors such as low carbon technology forecasts, energy consumption, carbon pricing forecasts, and others, which are subject to high variability.

Upon completion of our 2024 scenario analysis, our overarching business strategy would not be impacted in the short term, and importantly, mitigating actions are already in place within the current and planned capex and spending to address most risks, which significantly reduces potential negative financial impacts. The projected long-term manifestation of risks is undergoing closer assessment. As for the opportunities, we anticipate that our focus and the significant return on investment in new products contributing to decarbonisation will offset the infrastructure upgrade costs (such as more sustainable retrofits and growing our owned renewable electricity capacity). In summary, the outcomes of our climate scenario analysis showed that exposure to risks was not deemed significant at this stage. To challenge our approach to integrating climate considerations in longer-term multi-year financial planning processes, we are currently working on improving our processes in conjunction with the finance function.

£80m+

invested on climate-related R&D programmes[1] in 2024

(1) Our Finance teams have refined our classification of climate-related research and development programmes during the year.

Overall, in the short to medium term, the resourcing for the implementation of the Transition Plan 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 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.

EU Taxonomy alignment

GKN Aerospace intends to perform an assessment of EU taxonomy eligibility and alignment in 2025. GKN Aerospace has R&D investments in Zero Exhaust CO_2 emission aircraft capabilities that could be considered EU taxonomy aligned but under NACE C30.3 – Manufacturing of Aircraft – commercial aircraft, more work is required to prove no significant harm to any of the other objectives of the Do No Significant Harm principle.

As a major Tier 1 supplier to OEMs, claiming alignment to any other low carbon products is complex. Most other GKN Aerospace activities (capex and opex) cannot be reported as aligned due to the "best in class" and "replacement ratio limitation" screening criteria of the EU Taxonomy, which is only controlled at OEM/operator level. Therefore, GKN Aerospace participates in the ASD Europe board and committee discussions to push for more guidance and explanation for the aerospace sector.

Board approval

The Board is the ultimate decision-making body which sets strategy and approves targets and material updates to the Transition Plan. With regular deep dives at Board meetings, sustainability and climate change are running agenda points.

The Board receives regular training and quarterly updates on key sustainability and climate-related matters (including our progress in implementing our Transition Plan where relevant) that impact the business and on the specific measures that need to be implemented to improve our performance.

The CTO-led Group Sustainability Function plays a key role in managing material sustainability issues, including climate risks and opportunities, on behalf of the senior management team. It meets with relevant members of the executive team on a regular basis to track identified climate-related risks and opportunities. It is also responsible for the implementation of the Transition Plan and works in close collaboration with divisional sustainability teams.

For more information on Board and management responsibilities, please refer to the Governance section in our 2024 Annual Report on page 66.

The Board receives regular training and quarterly updates on key sustainability and climate-related matters.

Industry leadership

Our investment in technologies and products contribute towards the decarbonisation of the aviation industry, from improving efficiency through to cutting edge transformational solutions.

However, critical to our success and that of our partners 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, task forces, regulatory bodies and collaboration forums, aims to increase overall industry focus on climate friendly solutions for much greater impact.

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

LOW CARBON FUELS AND ELECTRIFICATION

Structures

Design-and-build contracts

In the rapidly developing advanced air mobility sector, GKN Aerospace signed a series of design-and-build contracts with emerging companies in 2024; VÆRIDION and H55. These relationships combine with existing partnerships – for example Eviation, Vertical Aerospace, Supernal, and Joby – to accelerate the future of battery-electric-powered, zero emission flight.

Hybrid-electric flight demonstrator project

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 CO_2 emissions compared to today's most advanced regional turboprop aircraft.

30%

improvement in fuel efficiency target

H2GEAR and H2FLYGHT programmes

Work continued under the H2GEAR programme to develop technology for zero emissions hydrogen powered aircraft. Subsystem testing started in 2024 for power generation, cryogenic distribution and cryogenic motors, which will be integrated into 1MW system level testing in 2025 due for final completion in 2026. Towards the end of 2024, GKN Aerospace launched the H2FLYGHT programme which looks to scale the propulsion system to 2MW and mature the technologies towards flight testing.

HyFIVE

A new hydrogen fuel systems programme HyFIVE was launched in partnership with Marshalls and Parker Aerospace, which expands GKN Aerospace's hydrogen system capability to liquid hydrogen fuel systems for zero emission aircraft. Progress has already seen the delivery of a liquid hydrogen storage tank test capability, to support tank and system design and verification.

NEXT GENERATION/ULTRA EFFICIENT ENGINES/AIRCRAFT DEVELOPMENT

Engines

Next generation of aircraft engines

GKN Aerospace's Engines division is a 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 Revolutionary Innovation for Sustainable Engines ("RISE") programme.

Project OFELIA

Project OFELIA, funded by Clean Aviation, is a project aimed at demonstrating the benefits of open fan architecture for small-medium range aircraft engines, aiming to support the achievement of the industry target of climate neutral aviation by 2050. GKN Aerospace plays a key role in the design and manufacture of load carrying structures in the engine, as well as using our expertise in lightweight multifunctional design of critical structures.

Structures

Wing of Tomorrow

Development work continued on the Wing of Tomorrow project, jointly funded by the UK Aerospace Technology Institute and on which GKN Aerospace is a key partner alongside Airbus. It aims to provide technologies for a composite single-aisle wing to improve aerodynamic performance and reduce weight, whilst reducing manufacturing process steps and significantly reducing energy consumption and CO_2 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. It has also enabled the testing of more sustainable out-of-autoclave thermoplastic production processes. Initial tests have demonstrated benefits which include an 80% lower production time compared to conventional autoclave technology, and an 80% decrease in energy use.

Clean Sky 2 STUNNING

The GKN Aerospace led, Clean Sky 2 STUNNING programme, which is part of the Multi-Functional Fuselage Demonstrator Airbus project, ended in 2024 and resulted in the successful manufacture of one of the world's largest thermoplastic components – an 8m x 4m half-fuselage made from novel thermoplastic manufacturing and joining technologies. The project's environmental benefits included reducing the fuselage weight by 1 tonne (10%), substantially reducing in-flight emissions, and improving the potential for material recyclability.

ADDRESSING MANUFACTURING EMISSIONS

Engines

Additive fabrication

GKN Aerospace has boosted its commitment to sustainable manufacturing, with significant investment in its cutting-edge additive fabrication technology in Trollhättan, Sweden, supported by the Swedish Energy Agency's Industriklivet initiative, which will help to revolutionise production methods by reducing raw material usage by up to 70%.

GKN Aerospace's Material Solutions business continued to support business growth while transforming its supply chain by offering material solutions that reduce value chain emissions compared to current alternatives available on the market. It is expected to reduce supply chain and production emissions compared to conventional forged or cast solutions as well as reduce in-flight emissions through enabling improved product performance. Our first product using additive fabrication with Laser Wire Deposition material is the fabricated fan case mount ring for Pratt & Whitney's PW1000G GTF Engine, saving an estimated 24 tonnes of titanium already this year, translating to a saving of 395 tCO_2e in 2024.

395 tCO_2e

saving in 2024

Structures

ASCEND

Led by GKN Aerospace, ASCEND is a cross-sector programme, designed to enable the UK aerospace and automotive industries to meet future high-rate production demands. It focuses on automation, design for manufacture, and skills development. The programme is committed to delivering sustainable technologies that reduce manufacturing costs and carbon footprints while enhancing production capabilities. In 2024 the programme was recognised by the Aerospace Technology Institute ("ATI") with the Team Award for Successful Collaboration and Partnership, honouring its groundbreaking progress in composite technology and supply chain development.

Resin Transfer Moulding

ASCEND focused on automation technologies, using Resin Transfer Moulding ("RTM") processes for composite structures. RTM technology aims to reduce energy utilisation by up to 80%, using more targeted heat application than conventional autoclave processes. Other benefits include reducing material utilisation in manufactured parts as well as the elimination of auxiliary materials, such as bagging films. We are currently looking at shape memory polymers ("SMPs") to replace the use of metallic mandrels. This should reduce cleaning chemicals and the energy used in crane operations, since one person can lift SMPs by hand.

CLIMATE IMPACTS, RISKS AND OPPORTUNITIES

TCFD Compliance Statement

For clarity around consistency with the TCFD framework, the TCFD All Sector Guidance and the requirements arising from UK Listing Rule 6.6.6(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. Our full TCFD report along with a TCFD cross-reference and disclosure consistency summary table can be found on pages 65 to 84 of our 2024 Annual Report. Our approach to identifying, assessing and managing climate-related physical and transition risks can be found on pages 24 to 39 of this report, along with key climate-related metrics and targets on pages 44 to 48.

Governance

The governance over sustainability matters has been discussed in the general disclosures section. For the purposes of TCFD, a governance structure specifically for the management of climate-related risks and opportunities is in place and discussed in more detail on page 66 of our 2024 Annual Report.

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 sections of our 2024 Annual Report on pages 34 to 44. In 2024, we reviewed and refined our climate-related risks and opportunities that we identified as part of our previous climate scenario analysis in 2023.

This has ensured we are aware of any new climate-related risks and opportunities that have become relevant to Melrose throughout the year. Specific climate-related risks and opportunities are identified within GKN Aerospace and are reported up to Melrose to inform the assessment of the climate change principal risk. Our climate scenario analysis will be renewed at least every three years to ensure up-to-date alignment with relevant information. To prepare for CSRD requirements we have also assessed our climate-related impacts, risks and opportunities as part of undertaking our double materiality process.

The Melrose senior management team oversees the identification of climate-related risks and opportunities as informed by the CTO-led Group Sustainability Function, who identify, monitor, and manage the specific risks relevant to our 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, 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 our business. 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 appear in the context of emerging regulatory landscapes.

Climate-related risks were assessed alongside climate-related opportunities, based on the same criteria that was used to determine and rate the other 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 and opportunities 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). Likelihood and impact scales were multiplied together, resulting in a combined risk or opportunity exposure score of low-, moderate- or high for each time horizon and scenario (listed on pages 26 and 27 of this report). The likelihood and impact criteria allow the materiality of risks to be determined as defined in the table below, meaning that we can prioritise the management of the most material risks. Material climate risks are defined as those that have a likelihood and impact score of 15 or above. These are defined as risks and opportunities with high exposure.

Management of risk

The CTO-led Group Sustainability Function is responsible for reviewing and considering climate-related risks on a regular basis, including 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 outlined in the table below. Risks with higher scores will need to be managed appropriately to bring the risk exposure 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 relevant stakeholders to ensure appropriate implementation and management. For more information on how we manage each identified climate-related risk, please refer to pages 28 to 37 of this report.

Risk and opportunity likelihood and impact scale

	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 <£1m	**2 Low £1m-£5m**	**3 Medium £5m-£10m**	**4 High £10m-£50m**	**5 Very high >£50m**
Impact	Inconvenience, but not 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.

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 our Group 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 28 to 37.

These risks undergo annual review at corporate level and by the Executive Committee and are presented to the Audit Committee as a combined principal climate risk for consideration alongside the other principal risks on a biannual basis in the form of reports prepared by the Melrose senior management team. The Chair 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 on pages 34 to 44 of our 2024 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

Melrose's commitment to net zero emissions by 2050, poses climate-related risks and 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, is detailed in our Transition Plan.

In 2024, we reviewed and updated our risks and opportunities that we identified during our climate scenario analysis in 2023. This scenario analysis outlined 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. Where possible, we have also undertaken high-level quantitative assessments for our risks and opportunities. The results are shown in the risks and opportunities tables below (pages 28 to 37). These assessments show the gross impact before any action which Melrose might take to respond. However, due to the nature of climate change and the uncertainties associated with some of the data and assumptions, it is not possible to quantify all risks and opportunities. These quantifications do not represent any type of financial forecast and thus are not directly incorporated into any projections of long-term cash flows. In addition, for each risk and opportunity a potential financial impact band has been disclosed which corresponds to our risk management framework. The potential financial impact is based on the potential short-term financial impact. Several risks and opportunities have minimal to low financial impact in the short term.

In aggregate, informed by our scenario analysis, 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 short to medium 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 focused business opportunities.

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 climate 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 those with the greatest potential exposure have been disclosed. For the purpose of our transitional estimate scenario analysis, 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. These scenarios have been used to help us guide our strategy and identify any potential new opportunities or risks climate may pose. The climate scenarios we use are kept under review to ensure they remain viable, plausible and stretching.

(1) IEA (2024), Global Energy and Climate Model, IEA, Paris www.iea.org/reports/world-energy-outlook-2024
(2) NZE outlies a pathway for the global energy sector to achieve net zero CO_2 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.

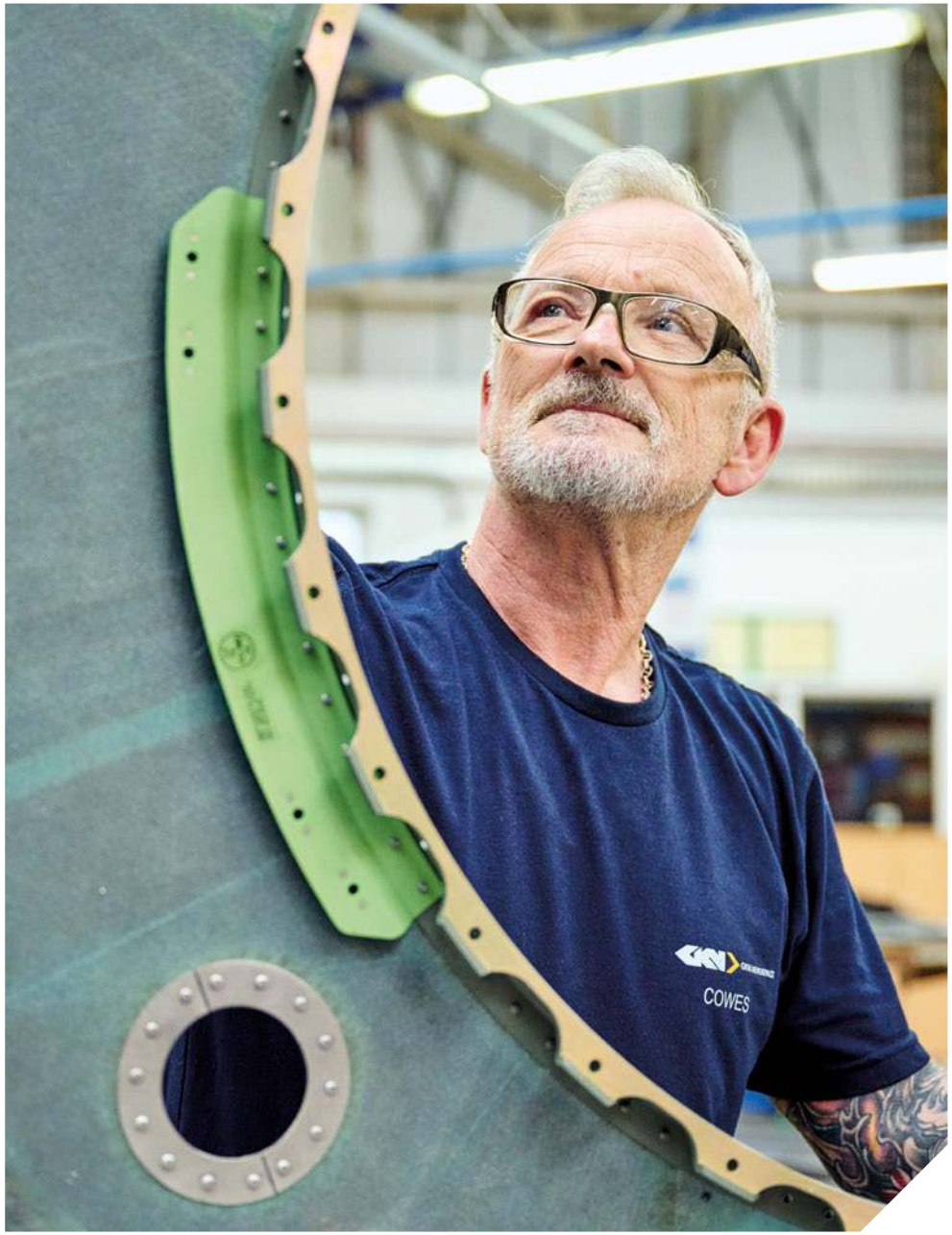
Climate-related impacts

In addition to climate-related risks and opportunities Melrose has also assessed the potential impacts that we could have in our value chain. The following climate-related impacts are those that have been identified:

Impact description	Positive or Negative Impact
Failure to contribute to the fight against climate change due to the increase in emissions deriving from lack of investment in reducing energy intensity in own operations, limited engagement with suppliers on their climate focused activities, as well as R&D contributing to decarbonisation and products contributing to a low carbon economy.	Negative
Enabling society to benefit from air travel without a negative environmental impact, through the delivery of zero emission technologies.	Positive
Contribution to the achievement of international and national goals to achieve a zero-emission global economy and society and to limit the increase in the global average temperature (1.5°C–2°C).	Positive
Reduction of emissions from sites, strategic suppliers, products transportation and end products supplied for aircraft, as well as aftermarket service and GKN Aerospace's maintenance, repair and overhaul ("MRO") services.	Positive

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 (2024-2026)	In line with short-term specific business planning
Medium (2026-2030)	Encompasses Melrose's near-term emissions targets
Long (2030-2050)	Encompasses Melrose and the UK Government's Net Zero by 2050 target and other long-term policy trends.



Transition Risks

Risk type	Description	Mitigation	KPI
EXPOSURE TO CARBON PRICING MECHANISMS			
Policy and Legal	**Market-based carbon pricing** Increased market-based exposure to carbon pricing mechanisms, such as the ReFuel EU, EU Emissions Trading System, and Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). The impact is likely to be felt through potential increases in airline ticketing prices. **Supply chain carbon pricing** Increased supply chain exposure to carbon pricing mechanisms such as the EU's and the 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 increased cost of raw materials from suppliers. The ultimate impact of both carbon pricing risks are increased prices and 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.	• 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 International Aerospace Environmental Group ("IAEG") and receives regular updates through a newsletter on global environmental and chemical regulations, policies, and standards that are shared with key stakeholders.	Scope 1, 2 and 3 emissions Carbon pricing market signals **Quantification:** Potential Financial Impact: Low Gross Percentage Operating Profit Impact: 2026: 0% 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Higher costs	High			▼	●●●●	●●

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●● Low likelihood
- ●●●● Low-medium likelihood
- ●●●● Medium-high likelihood
- ●●●● High likelihood

Transition Risks continued

Risk type	Description	Mitigation	KPI
REGULATORY CHANGES TO FLIGHT TIME AND ROUTES			
Policy and Legal	The risk of an increased number of regulations that prohibit short haul flights and airport growth generally could impact the number of conventional aircraft and components for conventional aircraft that are sold. This risk links closely to the increase in carbon pricing mechanisms discussed previously. 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 affect both domestic and international travel.	• 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., H2FlyGHT programme, a collaborative initiative that will develop a 2-megawatt (MW) cryogenic hydrogen electric propulsion system. • Melrose's targets for climate-related R&D and new products contributing to the low carbon economy 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. • Melrose also carried out specific policy advocacy to directly fund the development of net zero technologies.	Number of regulatory changes to flight times and routes **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Decreased revenue	Moderate		▼		●●●●	●○○○

Risk type	Description	Mitigation	KPI
DECLINING DEMAND IN AIR TRAVEL DUE TO CONCERNS ABOUT CLIMATE CHANGE			
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.	• 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 and government forums, such as the UK Government's Jet Zero Taskforce, 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 **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -1% 2050: -1%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Decreased revenue	Moderate			▼	●●●●	●●○○

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●○○○ Low likelihood
- ●●○○ Low-medium likelihood
- ●●●○ Medium-high likelihood
- ●●●● High likelihood

Transition Risks continued

Risk type	Description	Mitigation	KPI
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.	• 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. • Enhanced stock control oversight 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 **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -6% 2050: -5%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Increased costs	High		▼		●●●●	●●

Risk type	Description	Mitigation	KPI
SUCCESSFUL ENTRY INTO SERVICE OF NEW TECHNOLOGIES			
Technology	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 bottleneck in production, causing a high risk exposure.	• 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 planning a series of research tests with strong engagement with regulators in order to enable this.	Certification times of components used in low carbon aviation **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -2% 2050: -2%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Reduced revenue	Moderate			▼	●●●●	●●

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●● Low likelihood
- ●●●● Low-medium likelihood
- ●●●● Medium-high likelihood
- ●●●● High likelihood

Transition Risks continued

Risk type	Description	Mitigation	KPI
REPLACEMENT OF CARBON INTENSIVE MACHINERY			
Technology	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.	• 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 CO_2 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.	Spend on new electrified machinery **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -5% 2050: -10%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Increased costs	Moderate			▼	●●●●	●○○○

Risk type	Description	Mitigation	KPI
RISKS OF NOT MEETING NET ZERO TARGETS			
Reputation	The ability to meet our net zero targets is partially reliant on third parties within our supply chain and technologies that are yet to be developed. Our Scope 1 and 2 targets are more certain due to the current availability of existing technologies, such as renewable energy. However, there may be uncertainties in the availability of, and/or cost of renewable energy contracts as global pressures to reach net zero increase the demand for renewable energy. Both our absolute and supplier engagement Scope 3 targets carry more risk due to the inherent lack of control of Scope 3 and complexity around engaging suppliers. Under STEPS a lower rate of technological development would hinder the achievements of our net zero targets.	• Carrying out training sessions with the procurement teams to upskill on climate-related information. • Developing a supplier engagement plan that targets our key and most impactful suppliers. • Carrying out supplier education and engagement days. • Implementing emissions reduction initiatives across our logistics emissions. • Improving emissions calculation methodologies.	Progress on our SBTi's **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: -5% 2050: -5%

Potential impact	Risk exposure	Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Lower profit margins through increased costs and decreased revenue	High			▼	●●○○	●●●●

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●○○○ Low likelihood
- ●●○○ Low-medium likelihood
- ●●●○ Medium-high likelihood
- ●●●● High likelihood

Transition Opportunities

Opportunity type	Description	Strategy to capitalise	KPI
OPERATIONAL EFFICIENCY IN WATER, WASTE AND ENERGY			
Resource efficiency	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.	Energy • 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 e.g. ASCEND programme reduces energy consumption by 80% with out of autoclave technologies. Waste • 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. Water • 40% reduction in water withdrawal intensity by 2025. • Water efficiency improvements at sites, such as irrigation system leak identification at El Cajon.	Energy, waste and water consumption **Quantification:** Potential Financial Impact: Low Gross Percentage Operating Profit Impact: 2026: 0% 2030: 0% 2050: 0%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	Low		▼		●●●●	●●●●

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●●●● Low likelihood
- ●●●● Low-medium likelihood
- ●●●● Medium-high likelihood
- ●●●● High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
MATERIAL EFFICIENCY IMPROVEMENTS OF RAW MATERIALS			
Resource efficiency	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. Raw material costs will also be reduced. 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. It also leads to shorter supply chains with a reduced reliance on certain sets of suppliers e.g. forging suppliers. NZE sees greater focus and investment in lifecycle sustainability, meaning a greater exposure to technology that can improve material efficiency compared to STEPS.	• 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.	Percentage of raw materials recycled **Quantification:** Potential Financial Impact: Medium Gross Percentage Operating Profit Impact: 2026: 1% 2030: 3% 2050: 5%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	High			▼	●●●●	●●●○

Opportunity type	Description	Strategy to capitalise	KPI
RENEWABLE ENERGY (POWER PURCHASE AGREEMENTS AND INSTALLATION)			
Energy source	The purchase of renewable electricity contracts or Power Purchase Agreements ("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 access to renewable electricity contracts and whilst the cost of electricity under PPAs is variable, contracts can provide fixed costs over several years 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.	• Target to procure 50% of electricity from renewable sources by 2025. • In the shorter term Melrose will purchase Energy Attribute Certificates ("EACs") with the medium- and longer-term goal being the use of VPPAs, PPAs and self-generation of electricity. • Several sites have submitted requests for installation of solar arrays and additional sites are exploring options for self-generation. • A 1.2MW solar farm was completed at the GKN Aerospace Cowes site which will generate 1,150,000 kWh of electricity annually, supplying 20% of the site's energy needs.	Percentage of renewable electricity **Quantification:** Potential Financial Impact: Medium Gross Percentage Operating Profit Impact: 2026: 0% 2030: 0% 2050: n/a

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	Moderate		▼		●●●●	●●●○

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●●○○ Low likelihood
- ●●●○ Low-medium likelihood
- ●●●● Medium-high likelihood
- ●●●● High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
IN FLIGHT EFFICIENCY			
Products and 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.	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 & 2 programmes **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Reduces costs	High			▼	●●●●	●●

Opportunity type	Description	Strategy to capitalise	KPI
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. eVOTLs 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.	• Continued work as the main partner in industry associations, such as the Jet Zero Taskforce, 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 powered 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 e.g., H2FlyGHT, a collaborative initiative that will develop a 2-megawatt (MW) cryogenic hydrogen electric propulsion system. • Global partnerships with electric aircraft manufacturers such as Joby, Eviation, and Supernal to work on experimental eVTOL and electric aircraft development.	Revenue from products that contribute to low-carbon economy **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential impact	Opportunity exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	NZE	STEPS
Increased revenue	High			▼	●●●●	●●

Key

- Anticipated onset of risks and opportunities
- ▼ Estimated full impact of risks and opportunities
- ●○ Low likelihood
- ●● Low-medium likelihood
- ●●● Medium-high likelihood
- ●●●● High likelihood

Transition Opportunities continued

Opportunity type	Description	Strategy to capitalise	KPI
TECHNOLOGICAL SOLUTIONS FOR CLIMATE CHANGE MITIGATION			
Products and Services	**Hydrogen technology** Hydrogen technology has potential to reduce the aviation industry's impact on climate 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 while hydrogen combustion provides an opportunity as it enables us to offset potential revenue losses from a decrease in conventionally powered aircraft. NZE sees scaled investment in hydrogen technologies resulting in a greater exposure compared to 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. **Advanced Air Mobility ("AAM")** With our technology leadership in electrification, lightweight composites, hydrogen propulsion and smart engine systems, we are at the forefront of enabling eVTOL platforms to thrive in the Advanced Air Mobility market. NZE sees greater progression in AAM technology than STEPS. **Improved engine efficiency** By focusing on efficient engine technologies, such as advanced materials, lightweight components, and innovative propulsion systems, GKN Aerospace can help minimise fuel consumption and emissions, enhancing both operational sustainability and cost-effectiveness for customers.	• GKN Aerospace is involved in several R&D initiatives relating to liquid hydrogen fuel systems, fuel cell power generation and distribution and hydrogen combustion through the H2GEAR, HyFIVE and H2FLYGHT programmes. • GKN Aerospace also works within the Jet Zero Taskforce, 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. • Global partnerships with electric aircraft manufacturers such as Joby, Eviation and Supernal 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. • Vertical Aero's VX4 and Supernal SA1 all utilise GKN Aerospace technology and contribute to a cleaner and more connected world. • Partnerships with companies such as Supernal on the design and build of major aerostructures and Electrical Wiring Interconnection System ("EWIS") for Supernal's electric vertical takeoff and landing (eVTOL) aircraft. • Contributing to programmes such as RISE that facilitates the development of open rotor engines which can reduce fuel consumption by 20% compared to conventional gas turbine engines. • Collaboration with other aerospace companies on water-enhanced turbofan technology ("WET") which has the potential reduce aircraft CO_2 emissions by up to 25% compared to today's state-of-the-art propulsion systems for short- and medium-range aircraft.	R&D investment in hydrogen and battery electric technologies In-flight decarbonisation potential of products **Quantification:** Potential Financial Impact: Minimal Gross Percentage Operating Profit Impact: 2026: n/a 2030: 14% 2050: 36%

Potential impact	Opportunity exposure		Timeframe: Short	Medium	Long	Scenario sensitivity: NZE	STEPS
Increased revenue	Hydrogen technology	High			▼	●●●●	●●
	Battery electric technology	Moderate			▼	●●	●
	AAM	High			▼	●●●	●●
	Improved Engine Efficiency				▼	●●●●	●●

Key

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- ● Low likelihood
- ●● Low-medium likelihood
- ●●● Medium-high likelihood
- ●●●● High likelihood

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. Our physical risk assessment has been carried out by a third-party consultant using a location risk tool. It 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 all 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. During the year we had no insurance claims that were climate-related.

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 GHG 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.

Key

- Anticipated onset of risks and opportunities
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- Low-medium likelihood
- Medium-high likelihood
- High likelihood

Physical Risks

Risk type	Description	Mitigation	KPI
FLOODING (STORM SURGE, RIVERINE AND FLASH FLOOD)			
Acute	Risk associated with either coastal 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, which are currently located in a 50-year return period zone. One additional site is projected to also be in a 50-year return period zone by 2030 under RCP 8.5. Two sites have been identified as being at extreme risk of sea level rise under both scenarios by 2100.	• 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 at our at risk sites. • Property damage and business interruption insurance specific to natural hazards.	Number of days operations are disrupted due to flooding events **Quantification:** Potential Financial Impact: Medium Gross Percentage Operating Profit Impact: 2030: -1% 2050: -2% 2100: -5%

Potential impact	Risk exposure	Timeframe			Scenario sensitivity	
		Short	Medium	Long	RCP 2.6	RCP 8.5
Increased costs and decreased revenue	Moderate			▼	Low	Medium-high

Physical Risks continued

Risk type	Description	Mitigation	KPI
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 have been identified as having a high exposure to storm risk. However, these sites collectively only account for 5% of revenue.	• 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. • Subscribing to countrywide emergency alert systems and its standard operating procedure to shelter under desks during storms where relevant and available. • Property damage and business interruption insurance specific to natural hazards.	Number of days operations are disrupted due to storm events **Quantification:** Potential Financial Impact: High Gross Percentage Operating Profit Impact: 2030: -2% 2050: -3% 2100: -6%

Potential impact	Risk exposure	Timeframe: Short	Timeframe: Medium	Timeframe: Long	Scenario sensitivity: RCP 2.6	Scenario sensitivity: RCP 8.5
Increased costs and decreased revenue	Low			▼	●○○○	●●●○

Risk type	Description	Mitigation	KPI
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.	• 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.	Number of days suppliers are disrupted due to extreme weather events **Quantification:** Potential Financial Impact: High Gross Percentage Operating Profit Impact: 2030: -2% 2050: -3% 2100: -7%

Potential impact	Risk exposure	Timeframe: Short	Timeframe: Medium	Timeframe: Long	Scenario sensitivity: RCP 2.6	Scenario sensitivity: RCP 8.5
Loss in revenue	Moderate		▼		●○○○	●●●○

Key

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- ▼ Estimated full impact of risks and opportunities
- ●○○○ Low likelihood
- ●●○○ Low-medium likelihood
- ●●●○ Medium-high likelihood
- ●●●● High likelihood

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.

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.

Our greatest impact on the value chain comes from reducing emissions through product design and manufacturing. We focus on lowering embodied carbon in materials, cutting emissions in operations, optimising energy use, minimising waste, and recycling materials. These efforts align with our business targets and are integrated into our operations and innovation pipelines.

In 2024, Melrose invested over £80 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. This continued investment in climate-related R&D enables Melrose to adapt our business model and strategy to any potential new climate-related technologies and opportunities. 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 SBTi validated emissions targets. 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. We have commenced supplier engagement as part of our efforts towards climate-conscious procurement in mitigating climate change which reflects the growing recognition of the environmental impact of supply chains in the global business landscape.

In the short to medium term (present to 2030), resourcing for the implementation of our net zero commitment is incorporated into capex and spending plans where reasonably foreseeable. We believe that the actions we will directly take to reduce emissions in the short to medium term will result in costs or impacts on revenues that are in line with those already in our strategy and growth projections.

Up to

£300m

capex committed to grow production capability to industrialise additive fabrication

Resilience of the Group's strategy to climate change

Melrose has invested in reducing its carbon footprint and embraced renewable energy sources, improving energy efficiency, and investing in low carbon products for its customers. While acknowledging the risks posed by climate change, 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.

Our scenario analysis 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; and
- carbon pricing is informed by the Global Energy Outlook 2024 report from the International Energy Agency ("IEA").

POLICIES

The Group recognises the serious threat posed by climate change and the urgent need for meaningful action. The Group Environmental policy highlights a commitment to climate change mitigation and adaptation, reducing GHG emissions to net zero by 2050, in order to achieve the goals of the Paris Agreement. This policy applies to all individuals working at all levels, as well as, contractors, trainees, casual workers/agency staff, volunteers, or any other person working for the Group throughout the world. This policy comes under the overall responsibility of the Board of Directors. With Melrose support, each division invests in, and implements, appropriate systems and processes to manage their impact on the environment, and continually reviews these in line with evolving best practices.

We invest in, and encourage, our divisions to improve their operations and market offerings to minimise their impact on climate change and make them less vulnerable to climate-related risks, while safeguarding their long-term commercial success. The executive management team of each division regularly review related significant climate-related issues, risks and opportunities. These reviews consider the level of climate-related risk that the division is prepared to take in pursuit of its business strategy and the effectiveness of management controls in place to mitigate climate-related risk. Any identified risks are discussed with the Melrose senior management team and escalated to the Board where necessary.

Each division is expected to establish a 'culture' of compliance with this policy. The leadership team of each division must take direct responsibility for ensuring effective transmission of this policy throughout their division, together with relevant guidance and training, and appropriate safeguards, monitoring, and resources, in order to ensure compliance with this policy.

ACTIONS – ENERGY EFFICIENCY

During 2024, GKN Aerospace continued to take actions towards the 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 energy consumption of 3%, but employees are now also more aware and supportive of Company-wide sustainability ambitions. Progress on this target is also supported through increased renewable energy procurement and implementation of other climate-positive actions, such as sustainable transport initiatives. During 2024 investment in energy efficiency programmes totalled £7,638,000 (2023: £3,010,000).

Type of energy efficiency programmes	2024	2023	Change 2024/2023
LED lighting retrofits	£434,000	£790,000	-45%
More efficient air conditioning and heating systems	£2,076,000	£410,000	+406%
Renewable energy installations	£1,778,000	£600,000	+196%
Insulation improvements	£1,268,000	£250,000	+407%
Energy efficient equipment	£2,082,000	£960,000	+117%
Total	£7,638,000	£3,010,000	+154%

£7.64m

total investment in energy efficiency programmes in 2024 (2023: £3.01m)

INITIATIVES AND ACTIVITIES IN 2024

MANUFACTURING PROCESSES

152 tCO_2e

estimated savings annually at our Chihuahua site

There was a continued focus on the energy metering project in 2024 where the electricity consumption of machines was measured in different phases of production. In the second half of 2024, continuing into 2025, one workshop started to test shutting certain machines off instead of letting them run idle. Elsewhere, new parameters in the fan case cells were set, reducing machine hours and therefore energy consumption by approximately 35 MWh. Additionally, compressor upgrades and compressor duct work has been implemented to reduce energy consumption.

A number of fume hoods have been replaced with newer, more energy efficient ones, resulting in an estimated energy saving of 50%.

Sites take a preventative approach to energy waste, implementing maintenance procedures for equipment to detect and prevent compressed air leaks as well as conducting awareness campaigns to educate equipment operators. Autoclave optimisation has also taken place at various sites to further contribute to energy reduction goals.

At our Chihuahua site, we have optimised the use of our autoclaves, by stacking products in each load. This has halved the autoclave energy consumption for each product, saving approximately 410,000 kWh per year and 152 tonnes of CO_2.

USE OF AND INVESTMENT IN ENERGY EFFICIENT EQUIPMENT

The energy efficiency upgrades at our site in Trollhättan continued throughout 2024 with the replacement of a further 16 fume hoods with a high consumption of ventilated air and electricity being replaced. 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 50% lower energy consumption.

Energy monitoring equipment has now been installed across the Filton facility and further locations had the equipment rolled out on a trial basis during 2024. The purpose of the monitoring equipment is to identify energy intensive machinery and how this equipment can be shut down to minimise energy usage during shutdown periods. Other sites have also set up sub-metering in 2024 to monitor the energy usage of different equipment.

Research by UK Global Technology Centre ("GTC") during 2024 has found that humidity is a significant contributor to higher energy consumption, with higher humidity levels driving higher gas consumption in heating and in clean rooms. As such humidity sensors have been installed to understand where humidifiers and dehumidifiers may be needed in clean rooms. These humidity sensors are able to provide real-time data on moisture levels which can allow heating, ventilation, and air conditioning ("HVAC") and ventilation systems to adjust their operation more efficiently, reducing the need for excessive heating or cooling. Monitoring humidity levels also prevents the overuse of dehumidifiers and humidifiers and allows us to maintain the right humidity levels for indoor comfort which reduces the need for additional heating or cooling, therefore leading to energy savings.

50%

lower energy consumption from replacement of fume hoods at our Trollhättan site

RENEWABLE ENERGY INSTALLATIONS

70%

of our Pune site's energy needs to be generated from solar panel installation

In 2024, we advanced various solar panel projects, with seven of our sites currently receiving power from their solar panels, and others with panels set to go live in 2025.

At our Chihuahua site, a 621 kWp solar panel system was successfully installed, consisting of 1,129 solar panels and six energy converters. The installation will provide about 930,000 kWh annually, estimated to save 406 tCO_2 per year. Elsewhere, our Pune site completed the installation of a 400 kWp solar plant. It is poised to generate over 70% of the site's energy needs, leading to a substantial reduction in carbon emissions. A solar farm also went live in September 2024 at our Cowes site. These installations demonstrate our commitment to a more sustainable future and contribute to the achievement of our emission reduction targets.

INITIATIVES AND ACTIVITIES IN 2024 CONTINUED

EFFICIENT AIR CONDITIONING AND HEATING SYSTEMS INSTALLATION

During 2024, two battery heat exchangers at our site in Kongsberg were replaced with rotary heat exchangers. These new exchangers have a much more efficient recovery rate and result in an estimated saving of 570 MWh/year. Our site in Trollhättan has also installed heat pumps in storage areas, saving an estimated 270 MWh/year. Leaks identified in cooling systems were repaired which has led to more efficient operation and better energy utilization of machinery.

HVAC and AC replacements have been made at multiple sites, with further planned for 2025. Servicing of units has also been carried out at our sites in Langfang and Izmir to ensure optimal efficiency. Comprehensive cleaning and repair of fan coil units has been carried out to ensure the units operated at peak efficiency, reducing energy wastage. The installation of smart Wi-Fi thermostats as well as reprogramming automated systems to operate based on environmental conditions, such as heating systems shutting off earlier in the warmer months, has significantly reduced energy consumption. Similarly, we have a running time plan that has been developed for the AC at one of our sites which is based on the typical temperatures that can be expected season to season. This running time plan can be adjusted in the event of overtime or abnormal weather.

We have also shared energy-saving habits with our employees including informing them of optimal indoor temperature ranges for summer and winter, promoting both energy efficiency and workplace comfort.

The OS12 heating system has replaced the original mechanism at one site which has resulted in energy savings of 50%. The Hoogeveen site also installed a new gas boiler with a heat treatment process that reuses heat which would otherwise be lost. The Tallassee site's heat recovery system was also brought back online in 2024, resulting in a reduction of natural gas usage by more than 80%, saving more than $80,000 compared to 2023.

REDUCING THE IMPACT OF EMPLOYEE TRANSPORTATION

50 tCO_2e

estimated emissions reduction through use of drop-in SAF

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 have been issued to employees as company cars. Other sites also have cycle to work schemes and hybrid working arrangements in place to further reduce the impact of employee commuting.

Further to this, our sites in Trollhättan and Kongsberg made agreements with two airlines in 2024 to use the maximum allowed amount of drop-in SAF for employee business travels within Europe, resulting in estimated emission reduction of 50 tCO_2e per year.

IMPROVEMENTS TO BUILDING INSULATION AND DESIGN

Building improvements were implemented at a number of sites, contributing to increased energy efficiency. Renovation and repair works on the roof of our Muncie site, which will improve insulation, were initiated in 2024 and will continue in 2025. Roofing projects were also carried out at Papendrecht and Western Approach as well as insulation and improvements conducted at Wellington, Pune and a pipeline roofing project at Filton. Additionally, a survey was sent out to all sites to understand where future insulation projects may be required.

LIGHTING RETROFITS

Energy efficiency has been achieved through the installation of LED lighting across GKN Aerospace sites. This project is nearly complete with only a small number of sites still working on installations at their facilities.

The installation of smart lighting zones has also eliminated unnecessary energy usage by ensuring only occupied areas are illuminated during work hours.

INITIATIVES AND ACTIVITIES IN 2024 CONTINUED

OTHER ACTIVITIES

A series of other projects were implemented across our sites throughout 2024 to reduce energy consumption.

Energy saving opportunities

Our Trollhättan site has been working together with an external consultancy, AFRY, on a new project to identify and implement energy saving opportunities. This project is set to continue in 2025. Our Trollhättan site has also implemented the use of an electric truck for the transportation of goods between their site and Gothenburg Airport. Emissions from transportation have also been reviewed at our site in Johor, with an agreement made with DHL Express to use SAFs for the international shipment of goods to and from the Johor facility.

Energy saving measures at Filton

Energy saving measures have been implemented at our Filton site through the installation of office smart sockets which enable intelligent energy saving by automatically turning equipment off based on routines. The M.E. Smart Sockets obtain accurate energy usage data as well as analysing how clean the energy is. The data reports produced identify the devices that are currently plugged in and creates an automated AI system for turning the sockets on and off. Similarly, 3-phase monitors are also being used to monitor operation equipment energy usage in different states and will be used in conjunction with other control measures that could advise operators to switch equipment to the right settings for energy saving without interrupting operations. The outcome of this initiative will be shared across sites as a means of communicating best practice.

Thermal imaging at Cowes

Our site in Cowes has been utilising thermal and picture imaging to assess building status and to determine factors such as heat loss from leaks, roll up doors and other areas of energy inefficiency. This has proven useful in identifying problems that could be applied to other UK sites with relative ease.

Climate Impact from Flying ("CLIFF") Tool

In order to monitor the environmental impact of the Group's products, the CLIFF Tool has been developed. This calculates how changes in the design of a given part will alter the CO_2e emissions produced during the use-phase.

Laser Metal Deposition with wire ("LMD-w") technology

During 2024, we have continued to develop technologies such as LMD-w for the additive manufacture of aircraft structures with the installation of the largest LMD-w machine of its type, capable of producing parts up to 5m long. LMD-w allows for the achievement of significant emissions reduction and energy saving compared to the traditional routes for high strength titanium aircraft structures.

Employee initiatives

To encourage wider participation in environmental programmes, there are a number of initiatives in place for Group employees to join. This includes the sustainability champions network and sustainability workstreams, as well as a number of other region or site-specific initiatives available to employees.

INITIATIVES AND ACTIVITIES IN 2024 CONTINUED

SUPPLIERS

CDP Supply Chain engagement

In 2024, Melrose continued to participate in the CDP Supply Chain engagement initiative, in order to provide an insight into our suppliers' environmental data and enable efficient tracking of their alignment with net zero. This is the third year of engagement, and it has provided further insights on suppliers' environmental data, as well as their energy consumption, emissions reduction initiatives and climate targets alongside other environmental data. The selected organisations were reflective of the Group'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 in order to facilitate the data capture and to ensure we follow best practice.

SBTi targets

GKN Aerospace has validated SBTi targets, one of which is a target to engage with our top 70% of category one (goods and services) spend to encourage suppliers to set targets. To address this, roadmaps have been developed to engage with high spend suppliers across the respective divisions. These roadmaps are currently in the execution phase and include multiple engagement approaches, such as official communications, webinars, and one-to-one emission target meetings between GKN Aerospace and suppliers.

Furthermore, we will continually collect information and provide assistance throughout the supply chain, as well as working to implement sustainability criteria within the capital process through the capex sustainability questionnaire.

Supplier Code of Conduct

A revised Supplier Code of Conduct ("Code") was launched by GKN Aerospace in 2023, setting out the expectations and standards of all our suppliers, including those relevant to sustainability and environment, and applies to all our suppliers and their sub-tier suppliers. It includes a requirement to comply with all applicable environmental laws and regulations, obtain and comply with all necessary environmental permits, and properly dispose of all hazardous and regulated substances. In addition it requires that suppliers work towards ensuring that appropriate environment management systems are in place, e.g. ISO14001. The Code is communicated to all suppliers and our procurement teams are trained on its contents. The Code is expected to be updated during 2025 and training will be provided on its updated content. During Q4 2024 GKN Aerospace procurement teams were trained in science based targets, designed to enable a route to engaging the supply chain in order to reduce Scope 3 emissions.

Our normal corrective action procedures are in place to address supplier non-conformance with any standard or policy, including environmental standards. Utilising the new collaboration and compliance portal which is under implementation, detection of non-compliance will be improved. With the support of the portal provider an alternative response to non-compliance can be utilised, where appropriate, in the form of education.

Engaging with policymakers

GKN Aerospace also engages with policymakers to advocate for climate policies, including through our membership of the Swedish Institute of Standards ("SIS") and International Aerospace Environmental Group ("IAEG") work group for Lifecycle Assessment ("LCA") as well as in the Aerospace and Defence Industries Association of Europe ("ASD Europe") working group for Climate and Defence. The Hoogeveen site is also part of Energy leaders North Netherlands, where members engage as part of the global energy dialogue.

GKN Aerospace has engaged with the Netherlands' National Aerospace Research and Innovation Programme, 'Luchtvaart in Transitie', which aims to revolutionise the aerospace sector. We contribute to the programme through two key projects, both focusing on developing and demonstrating new technologies and innovations. The first project explores the use of thermoplastic composites in structural parts, as well as the potential for them to be developed using out-of-autoclave technologies. The second project focuses on future wiring systems which could enable sustainable flight through battery electric, large fuel cell electric or hybrid electric technology. The market potential of these projects is substantial, with applications spanning commercial aviation, defence, and space exploration, and so our role in their development places GKN Aerospace in a position to capture a significant share of growing demand for sustainable aerospace solutions.

CLIMATE-RELATED TARGETS

GKN Aerospace has set near- and long-term science-based emissions reduction targets which were validated by the SBTi in 2024. The CTO-led Group Sustainability Function is responsible for achieving the targets. These targets will help us manage our material climate-related risks and opportunities. The 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.

SBTi has determined that our Scope 1 and 2 near-term target ambition is in line with a 1.5°C trajectory, while the Scope 1, 2, and 3 long-term target ambition has been recognised to be aligned with the SBTi's 1.5°C mitigation pathways for reaching net zero by 2050 or sooner. GKN Aerospace has committed to reach net zero GHG emissions across the value chain by 2050.

Our reduction in absolute Scope 1 and 2 GHG emissions, as validated by the SBTi, is currently on track with our Net Zero Transition pathway. Emissions are tracked quarterly and assessed against a linear reduction trajectory, with the last three measurements all falling below (ahead) of the trajectory. This progress is driven through our optimisation of operations and sites including equipment and machinery, energy reduction initiatives, and increasing our share of renewable energy.

The SBTi validation includes an engagement target to ensure that 70% of suppliers by spend covering purchased goods and services, have science based targets by 2028. Currently, 12% of GKN Aerospace suppliers (by spend) are known to have targets that have been validated by SBTi. The status represents responses from 24% of suppliers (by spend). During 2025, we intend to execute engagement roadmaps in order to increase our suppliers' response rate and our understanding of their sustainability targets and commitments.

Our Scope 3 target was validated by the SBTi last year, and we are still in the early stages of implementing our decarbonisation roadmap, with our 2030 target. After a re-statement of our target base year, we have achieved a 2.7% overall reduction relative to 2022, which we recognise is currently below target trajectory. However, we continue to implement the emissions reduction initiatives outlined in our Transition Plan and understand that the improved data we have used in our re-stated Scope 3 target will enable us to better see emission reduction initiatives year-on-year.

Our 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 28 to 37 of this report.

Looking ahead, there are many exciting planned and potential projects which can help us to achieve our carbon reduction targets. For example, significant energy savings can be made with heat recovery on the large compressed air compressors. The heat will be reused in the same system but also moved to places with a better match. More identified energy improvement opportunities include reducing energy losses due to idle running of production machines, ventilation improvements, peak power shaving and smarter control of lighting and ventilation.

CLIMATE-RELATED TARGETS CONTINUED

Climate change

Target		Baseline year	2024 performance	Target maturity	Progress against target
↓50%	reduction in Scope 1 and 2 GHG emissions intensity[1]	2020[2]	44%	2025	On track
50%	% of global electricity sourced from renewable sources[3]	2020	43%	2025	On track
↓50%	reduction in absolute Scope 1 and 2 GHG emissions (SBTi validated)	2020[4]	19%	2030	On track
↓25%	reduction in absolute Scope 3 GHG emissions (SBTi Validated)[5]	2022[6]	3%	2030	Below target trajectory
80%	% of total R&D expenditure on climate-related R&D annually to contribute to the decarbonisation of aerospace	2020	80%	2025	Achieved
100%	% of new products which contribute to the decarbonisation of aerospace	–	100%	2025	Achieved/ on track

Other Group climate-related targets include:

95%

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

↓40%

reduce water withdrawal intensity by 40% by 2025 from a 2021 base year

SBTi validated targets are:

↓50%

reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a 2020 base year

70%

encourage 70% of suppliers by spend, covering purchased goods and services, to have science based targets by 2028

2050

reach net zero GHG emissions across the value chain by 2050

↓25%

reduce absolute Scope 3 GHG emissions by 25% by 2030 from a 2022 base year[7]

The SBTi has determined that our Scope 1 and 2 near-term target ambition is in line with a 1.5°C trajectory, while the Scope 1, 2, and 3 long-term target ambition has been recognised to be aligned with the SBTi's 1.5°C mitigation pathways for reaching net zero by 2050 or sooner. GKN Aerospace has committed to reach net zero Greenhouse Gas ("GHG") emissions across the value chain by 2050.

(1) The Group's chosen intensity ratio is energy consumption, emissions and water withdrawal reported above normalised megawatts usage ("MWh"), tonnes of CO_2e, or m^3 per £1,000 of turnover. The data has been standardised from the source units in which it was initially collected. The turnover figures used to calculate the intensity ratio include continuing operations under operational control only.
(2) Base year emissions data has been restated to reflect divestments. Scope 1 and 2 emissions intensity in 2020 was 0.046.
(3) Where renewable electricity is commercially and reasonably available in the relevant jurisdiction.
(4) Base year emissions data has been restated to reflect divestments. Absolute Scope 1 and 2 GHG emissions in 2020 was 108,411 tCO_2.
(5) 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.
(6) Base year emissions data has been restated to reflect divestments and improvements in methodology. Absolute Scope 3 GHG emissions in 2022 were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our absolute SBTi target in 2022 were 82,100 tCO_2e.
(7) 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.

CLIMATE-RELATED TARGETS CONTINUED

AMBITION

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

Our 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

2024 | 2025 | 2028 | 2030 | 2050

↓50%
reduction in emissions intensity by 2025

↓50%
reduction in absolute emissions by 2030

Net Zero
Across the value chain by 2050

25%
absolute reduction in Scope 3 emissions[1] by 2030

Helping our customers achieve their net zero ambitions without compromising their business success and profitability by investing at least 80% of our R&D spend into programmes towards aerospace decarbonisation by 2025 and ensuring that 100% of our new product launches are products that contribute to decarbonisation of aerospace by 2025

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

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

Roadmap for achieving targets

NET ZERO PATHWAY STREAMS	Achieving business-wide net zero		Contributing to global and aerospace net zero	
	Net zero operations focus (Scope 1 and 2)	Net zero upstream focus (Scope 3)	Deliver critical internal and industry-wide enabling activities	Co-create with customers, invest in R&D and launch new products contributing to decarbonisation of aerospace
ACTIONS	• Improving the 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.	• Reductions in Scope 3 emissions coming from, but not limited to, 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. • Increasing our investment in additive manufacturing, composite material usage, bonding and nesting technology, as well as investment in raw material and composite recycling innovation programmes to help reduce Scope 3 Category 1 emissions in the long term (waste as a resource).	• Continued engagement with industry, government and the public sector.	• Continued partnerships with customers on innovation and climate action for sustainable aviation. • Develop technologies and capabilities which enable our customers to introduce aircraft and engines with radically lower environmental impacts.

(1) Including 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.

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. Specific metrics used to track each risk and opportunity are identified on pages 28 to 37 within the risk and opportunity tables. Our energy consumption and emissions data, the statement of alignment with the GHG Protocol and statement on The Streamlined Energy and Carbon Reporting Regulation ("SECR") disclosures can be found on page 48. 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 our sold products are currently being estimated so are not included in our emissions footprint. As part of our SBTi submission and validation it was deemed that Category 11 emissions did not need to be included in our target emissions inventory. We are currently evolving our calculation methodology and aspire to report on our updated Category 11 emissions next year. In line with SBTi requirements we will also update our validated targets if necessary. All other downstream categories have been screened and deemed either negligible or not applicable to Melrose's value chain emissions.

The GHG emissions for the Group, broken down by Scope 1, Scope 2 and select Scope 3 emissions, for 2023 and 2024, are set out in the table on page 48. In 2024, operational energy consumption decreased 3% in absolute terms and 14% in associated intensity ratio terms compared to 2023. This is reflective of both revenue increasing and consumption decreasing, driven by one-off fuel consumption activities in 2023. This led to a 17% reduction in Scope 1 emissions also. The decrease in Scope 2 market-based emissions are due to more sites procuring renewable electricity, however the underlying electricity consumption increased slightly year-on-year by 2%. The Group's chosen intensity ratio is energy consumption and emissions reported above normalised megawatts usage ("MWh") and tonnes of CO_2e per £1,000 of revenue, which we believe remains the most appropriate intensity ratio for Melrose.

Total Scope 3 emissions decreased 5% versus 2023, largely due to a decrease in Capital Goods emissions as a result of less capex expenditure throughout the year. Fuel and Energy Related Activities emissions have also decreased year-on-year due to our increased procurement of renewable electricity. The Scope 3 categories covered by our SBTi[1] have decreased 1% versus 2023 and 13% relative to the 2022 base year, highlighting we are on track to meet this target by 2030. We do still expect Scope 3 emissions to fluctuate in future years as the quality of our reporting improves.

(1) 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.

Total energy consumption and GHG emissions for the period 1 January 2024 to 31 December 2024

Energy consumption (MWh)	UK 2024	Global (excl. UK) 2024	Total 2024	UK 2023	Global (excl. UK) 2023	Total 2023	Change (2024/23)
Total operational energy consumption	**78,504**	**375,744**	**454,248**	**83,922**	**386,224**	**470,146**	**-3%**
Total renewable energy consumption			**129,743**			**122,349**	**6%**
Share of renewable electricity in total electricity mix			**43%**			**41%**	**2p.p.**
Energy consumption intensity[1]			**0.131**			**0.152**	**-14%**
Fuels							
Total fuels consumption	**27,051**	**85,669**	**112,720**	**32,062**	**102,838**	**134,900**	**-16%**
Non-renewable fuels consumption	**27,051**	**85,669**	**112,720**	**32,062**	**102,838**	**134,900**	**-16%**
Renewable fuels consumption	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Electricity							
Total electricity consumption	**51,453**	**252,584**	**304,037**	**51,859**	**246,689**	**298,548**	**2%**
Renewable electricity consumption (self-generated, purchased or acquired)	171	129,572	129,743	8.7	122,340	122,349	**6%**
Non-renewable electricity consumption (purchased or acquired)	51,282	123,012	174,294	51,850	124,349	176,199	**-1%**
Steam							
Steam consumption (purchased or acquired)	0	37,490	37,490	0	36,697	36,697	**2%**
Operational emissions (tCO_2e)[1]							
Scope 1: Direct GHG emissions[2]	4,965	16,278	21,245	5,880	19,810	25,691	**-17%**
Scope 2: Indirect GHG emissions (Location-based)[3]	9,051	63,902	72,953	9,151	61,787	70,938	**3%**
– Total purchased electricity	9,051	57,167	66,218	9,151	55,195	64,346	**3%**
– Steam (purchased or acquired)	0	6,735	6,735	0	6,592	6,592	**2%**
Scope 2: Indirect GHG emissions (Market-based)	19,918	46,537	66,455	20,139	46,926	67,065	**-1%**
– Total purchased electricity	19,918	39,802	59,720	20,139	40,334	60,473	**-1%**
– Steam (purchased or acquired)	0	6,735	6,735	0	6,592	6,592	**2%**
Total Scope 1 and Scope 2 emissions (Location-based)			**94,198**			**96,629**	**-3%**
Total Scope 1 and Scope 2 emissions (Market-based)			**87,700**			**92,756**	**-5%**
Emissions intensity[4] (Market-based)			**0.025**			**0.029**	**-14%**
Scope 3 emissions (tCO_2e)							
Category 1: Purchased Goods & Services			1,122,941			1,109,438	**1%**
Category 2: Capital Goods			31,854			107,198	**-70%**
Category 3: Fuel and Energy Related Activities			21,151			27,125	**-22%**
Category 4: Upstream Transportation and Distribution			31,279			25,431	**23%**
Category 5: Waste Generated in Operations			1,364			1,477	**-8%**
Category 6: Business Travel			11,909			12,551	**-5%**
Category 7: Employee Commuting			14,166			14,032	**1%**
Total Scope 3 emissions[5]			**1,234,665**			**1,297,252**	**-5%**
Total emissions (tCO_2e)							
Total Scope 1, Scope 2 (Location-based) and Scope 3 emissions			**1,328,863**			**1,393,881**	**-5%**
Total Scope 1, Scope 2 (Market-based) and Scope 3 emissions			**1,322,365**			**1,390,008**	**-5%**

(1) CO_2e – 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 CO_2e 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.
(5) Target base year (2022) emissions data has been restated to reflect divestments and improvements in methodology. Absolute Scope 3 GHG emissions in 2022 were 1,152,330 tCO_2e. Scope 3 GHG emissions covered by our absolute SBTi target in 2022 were 82,100 tCO_2e.

This section has been prepared for the reporting period of 1 January 2024 to 31 December 2024. 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 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 2004 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. We currently disclose Scopes 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 2024 (the Department for Energy Security and Net Zero ("DESNZ") 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 2023 where applicable. In the absence of residual mix emission factor availability, 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 DESNZ and the International Aerospace Environmental Group ("IAEG") Industry Tool for Calculating Scope 3 GHG 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 in a timely and transparent manner.

Carbon credits

As demonstrated by our emissions reduction targets that have been validated by the SBTi, we are committed to reducing our carbon footprint to stay on track with our journey in the roadmaps discussed earlier and in our Transition Plan. Where it is not possible to eliminate residual emissions, we may explore opportunities to source credible and legitimate solutions, such as carbon credits to help us achieve our ambition. Each of these projects will need to be carefully researched to be able to find carbon schemes that are most relevant to our business and have the ability to generate a positive environmental and social impact. Whilst our primary focus remains on reducing the carbon emissions associated with our operations and products, we recognise the important, yet complex role offsetting will play in the global transition to net zero. Carbon offsetting does not constitute a significant part of our current climate strategy. We have not yet modelled impact against our emissions, and our approach to carbon credits may change in time as we explore available credible solutions.

We are committed to reducing our carbon footprint to stay on track with the roadmaps discussed earlier and outlined in our Transition Plan.

14%

reduction in energy consumption intensity in 2024

WATER

As a manufacturing business, water is used in certain production processes within GKN Aerospace. However, our reliance on clean and fresh water is minimal due to the industrial nature of our operations. It is acknowledged though that water scarcity is a global challenge and that water conservation is an increasingly important topic for our stakeholders. We therefore have a responsibility to ensure careful and conscientious use.

RISK ASSESSMENT

Our operations use water in the production processes to dilute coolant used in machining as well as cleaning and chemical treatment processes. Water is also 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 such as the potential of interrupted supply of products to our customers or the downstream supply of products to GKN Aerospace in the case of a severe localised water shortage. We are planning to reduce our water withdrawal to reduce the stress on water supplies.

In preparation for upcoming regulations, we continued the analysis of our operations in water-stressed areas to improve our understanding of associated risks and opportunities. Our manufacturing and office sites were reviewed to identify operations in areas of 'high' (40%-80%) or 'extremely high' (>80%) baseline water stress, according to the WRI Aqueduct Water Risk Atlas tool. Areas of 'high' and 'extremely high' water stress, according to the WRI definition, are areas where human demand for water exceeds 40% of resources. We identified that 9% (2023: 26%) of our current sites are located in areas of 'extremely high' water stress, and a further 22% (2023: 13%) are currently located in areas of 'high' water stress.

We have classified our sites on their baseline water stress based on withdrawal volumes and exposure to water-related risks. Our top 10 water usage sites account for 82% (2023: 87%) of our total water withdrawal, of which two sites are in high or extremely high water stressed areas (2023: four). These two sites are located in the USA, 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.

POLICIES

Our Water policy is centred around the key principles of ensuring that we remain resilient to any risks associated with water; minimising potential impacts on water availability and quality; and facilitating business contributions to addressing water challenges and improving water management practices.

Group Water policy
melroseplc.net

The CTO-led Group Sustainability Function has overall responsibility and oversight of the Group Water policy. The executive management team of each GKN Aerospace division 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 m^3 per £1,000 of revenue), and a process-oriented drive within our Water Stewardship Programme.

The Melrose Board of Directors, supported by the Melrose senior management team as informed by the CTO-led Group Sustainability Function, has ultimate responsibility and oversight of the Group Water policy.

ACTIONS

We recognise that some of our business operations are located in water stressed areas, and we regularly review the proportion of our business water withdrawal occurring in areas of high or extremely high-water stress. We continuously engage with our businesses to work towards reducing water withdrawal in these regions.

Our sites have already started to explore initiatives which can reduce water usage. For example, our site in Chihuahua, which is located in an area of 'extremely high' water stress, has implemented a number of water saving initiatives that are expected to save over 14 million litres per year. They include a lawn watering reduction programme through intelligent timers and endemic vegetation, the removal of a water feature in the garden, and dry urinals in the restrooms. Elsewhere, at our California site, the team is working on a wastewater and storm water reclamation project that will clean and reuse process water from the grind and polish machines. Our site in Filton was able to decrease its water withdrawals by 30% year-on-year due to its ongoing water saving initiatives.

Water management success case studies are shared across sustainability managers to ensure that best practice is widely adopted.

TARGETS

Water

Target	Target	Baseline year	2024 performance	Target maturity	Progress against target
Reduction in water withdrawal intensity	40%	2021[1]	30%	2025	On track

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 m^3 per £1,000 of revenue from a 2021 baseline), and a process-oriented drive to support each division within the Group.

Our water withdrawal intensity target has an associated linear reduction trajectory. Progress against this trajectory is assessed quarterly, to ensure we are on track to achieve the target and that our water initiatives are having the expected effect.

METRICS

Water withdrawal data is presented in the table below, showing a decrease in total water withdrawn by the business in 2024 compared to 2023. In 2024, the largest proportion of our water was withdrawn in North America (2023: North America). 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 data for the period 1 January 2024 to 31 December 2024

Cubic metres	2024	2023	Change (2024/23)
Water withdrawal (m^3) in operations	647,192	664,831	-2.7%
North America	301,193	299,309	+0.6%
Rest of Europe	194,634	195,735	-0.6%
UK	118,395	137,205	-13.7%
Asia	32,970	32,582	+1.2%
Company's chosen intensity measurement:			
Water withdrawal (m^3) per £1,000 revenue	0.188	0.214	-12.1%

Although the 2023 figure has be restated to exclude sold sites, it should be noted that the sale of the St. Louis site resulted in a significant reduction in water withdrawal. Last year, 2023 data showed this site to be the largest user, comprising 45.5% of Melrose's total water withdrawal.

14m litres

expected to be saved annually through water saving initiatives

(1) Base year water withdrawal data has been restated to reflect divestments. Water Withdrawal Intensity in 2021 was 0.275 m^3 per £1,000 of turnover.

BIODIVERSITY AND ECOSYSTEMS

We recognise the importance of biodiversity and how fundamental it is to our society and therefore aim to preserve biodiversity to ensure future generations can enjoy its benefits. Our Biodiversity policy sets out the foundational principles in promoting the growth of the natural world and enhancing ecosystems.

→ **Group Biodiversity policy**
melroseplc.net

RISK ASSESSMENT

With upcoming regulations and new frameworks, such as the Taskforce for Nature Related Financial Disclosures ("TNFD"), and associated risk assessment recommendations for biodiversity, Melrose is working to further understand its impact on biodiversity.

In 2024, we undertook a deeper assessment of our biodiversity-related risks using the WWF biodiversity risk filter to identify and account for the physical risks associated with our operational sites, namely the ways in which our operations depend on and impact nature and surrounding ecosystems.

The analysis showed the operational sites, based on their location and industry specifics, with the highest risk of direct pressures on biodiversity. Of 29 industrial sites (2023: 30 sites), three have a high physical risk score (2023: five) and 18 have a medium physical risk score (2023: 25). The analysis also indicated that pollution, risk of natural disasters and protected areas are other relevant impact indicators to our operations.

GKN Aerospace's sites are mostly located in industrial zones and operate under general binding rules. The Environment Management Standard ensures that all sites obtain the necessary permits, relating to chemicals and hazardous materials, to operate their facility. The permits (or where permits are not required, general binding rules or equivalent) will ensure that the sites have the necessary processes, monitoring and reporting balances in place for the effective treatment of production materials prior to disposal, reuse and recycling of materials. Permitting processes, which review the impact of our emissions on the environment and set limits to prevent harm, 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 or 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.

Handling of materials is managed under task specific risk assessments, with storage of raw and waste materials guided by safety data sheets. All manufacturing sites must have or align to ISO 14001, which means that they must have a robust emergency preparedness plan and response with sufficient monitoring and review in place in the event of an incident. The Safety and Corporate Compliance function is also in the process of developing a crisis management standard, to be followed in the event of a major incident.

The ISO 14001 certification of sites allows for the identification of all aspects and impacts of operating each site, highlighting any potential biodiversity risks and opportunities. Where sensitive sites are identified, the likely impact on those sensitive receptors should be assessed. Some sites are missing the sensitive receptors, however these can be found in the general permit or storm water pollution protection plans. The environmental management standard also provides the minimum standards with respect to compliance and this is tracked through the internal controls checklist.

The implementation of our Biodiversity policy is ensured through standard compliance mechanisms, such as new employee onboarding. The Group continues to make progress in deepening its understanding of the physical biodiversity risks and assessing the possible impacts on operations.

CASE STUDY /

COMMITTED TO BIODIVERSITY AND ECOSYSTEMS

ENGAGING WITH COLLEAGUES

To support our commitment to biodiversity and ecosystems, GKN Aerospace celebrated World Animal Day. We engaged with colleagues to encourage them to get involved, suggesting activities and discussion they could get involved in to draw attention to animal rights and animal protection.

Some of our sites have also been taking action within their own local area, with the introduction of bug boxes and wildflower areas on GKN Aerospace sites to promote biodiversity and ecosystem protection.

RESOURCE USE AND CIRCULAR ECONOMY

RISK ASSESSMENT

We assess the impact of our products on the environment in terms of material type, source and usage, energy usage and CO_2 emissions and waste, throughout each product lifecycle. The Global Skills Fund, previously the Melrose Skills Fund, has been utilised to develop a lifecycle assessment process and associated training programme to facilitate these assessments on existing and new products. Across the business, lifecycle assessments ("LCAs") have been completed for 12% (by revenue) of total products sold in 2024 (2023: 7%). These LCAs have provided insight into the climate impact of these products, and as a result we have identified improvement actions that we can take to mitigate their climate impact. These include, identifying further weight opportunities as a design requirement, prioritising suppliers with a green energy mix, encouraging the use of local suppliers, reducing material transport by air, moving to water-based instead of solvent-based materials, reducing process steps (e.g. drying), and optimising process cycles.

Going forward, GKN Aerospace intends to perform an assessment of EU taxonomy eligibility in 2025. GKN Aerospace has significant R&D investments in zero CO_2 exhaust emission aircraft capabilities that could be considered EU taxonomy aligned, however, more work is needed to prove no significant harm to any other objectives in order to confirm this.

POLICIES

Business processes for technology selection, new product development, and supplier selection have been updated to incorporate sustainability requirements, to ensure that the lifecycle implications are understood as part of any selection decision. Our Environmental policy details our approach to circularity within our operations, as well as the responsible sourcing of our resources.

Group Environmental policy
melroseplc.net

We are committed to ensuring that our businesses source raw materials and manufacture products in a responsible, ethical, and sustainable manner. This applies to all of our global supply chains, and we work with suppliers to ensure they conduct business in a manner that embraces sustainability and reduces environmental impact. The Board has overall responsibility for ensuring this, while the executive team of each division must take direct responsibility for ensuring effective transmission of this policy throughout their division. Managers also have a specific responsibility to facilitate the operation of this policy.

We are committed to incorporating circular economy principles into our operations to transition away from virgin resources and increase the relative use of secondary recycled resources within the constraints of the aerospace material qualification requirements. Although numerous circular loops exist in GKN Aerospace's operations, including the recycling of waste and water, we need to go beyond basic recycling and diversion from landfill. 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. Our objective is to devote the same level of attention to the quality of metal chips as we do to our primary products, due to the level of emissions that can be embedded in the manufacture of such materials. 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 circulating back to us for reintroduction into the production cycle.

By increasingly incorporating circular economy principles into design and manufacturing processes, we are reducing our environmental impact and can deliver products to end-markets with increased durability and longevity, reduced emissions and waste.

ACTIONS

Significant operational improvements are being made to reduce the impact of our waste and associated emissions in transportation of waste contents. This includes among other programmes, various recycling initiatives and modifications to equipment such as diverting solid non-hazardous waste from landfill and converting it into energy. Waste reduction training is also provided across all divisions of the business.

Waste audits are performed regularly to identify opportunities for improving waste management that are actioned through our waste programmes. Specific waste management, recycling and chemical waste management programmes are implemented at site level and are complemented by waste management (including hazardous material management) training provided to all site employees regularly.

GKN Aerospace boosted its commitment to sustainable manufacturing in 2024 through its investment in cutting edge additive fabrication technology. The public-private partnership with the Swedish Government will revolutionise production methods by reducing raw material usage by up to 80%. Aircraft and engine components rely on large castings and forgings, with up to 80% of the material machined away before reaching the final form. By employing additive technology, which involves layer-by-layer construction using metal wire or powder, fused together with lasers, we are able to minimise raw material waste, energy usage and shipping within production. This significantly cuts emissions, costs, and lead time. Our new production centre located in Trollhättan is projected to create around 150 new job opportunities for operators, technicians and engineers.

80%

reduction in raw material usage through the public-private partnership with the Swedish Government which will revolutionise production methods

Circular economy

To understand the full value chain of our products and the extent to which our products are designed along circular principles, we plan to extend our analysis in 2025 across our product range. Currently, GKN Aerospace expects new production processes and designs to be evaluated against circular principles, and documented in its technology readiness level and commercial processes. We are exploring further opportunities to increase the recycling, recirculation, and end-of-life solutions of our products and waste materials like aluminium, thermoset, and thermoplastic composites.

As part of our work to increase circularity, we have 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 convert that into a press-formable material that can be used to produce parts, such as non-structural 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 overhaul ("MRO") services aim to enable products to be reintroduced into the production cycle, thereby extending product lifetime, instead of disposal at the end of useful life. This approach will gradually lead us to a shift from a quantitative-based concept of 'expansion of recycling industry' to the pursuit of optimum resource recovery quality through 'waste as resource'.

EXAMPLES OF OTHER INITIATIVES RELATING TO RESOURCE USE, CIRCULARITY AND WASTE

Rubber maskants were diverted from landfill at El Cajon and were upcycled to create safety mats for children's playgrounds and as the base for roads

100%

our site in Bangalore partnered with a local waste management vendor to divert 100% of its non-hazardous waste (e.g., office waste, food waste, and sanitary waste) from landfill

Saved

14 tCO_2e

our site in Trollhättan partnered with a local company to reuse 15 tonnes of grit-blasting media, which resulted in a saving of 14 tonnes of CO_2e

CASE STUDY /

IMPROVING CIRCULARITY

NEW PARTS REPAIR FACILITY OPENED

We opened a new repair facility in San Diego to enhance our repair capabilities, introducing new technologies and expanding our component portfolio whilst also improving circularity. By leveraging technology and lean principles, we drive efficiency and waste reduction, ensuring we uphold our values of Safety, Honesty, Respect and Care.

The property was built in line with LEED certification and features solar panelling and rooftop insulation, increasing efficiency and reflectivity. Inside, all lights are LED with motion sensors and there is a large living wall to regulate air quality as well as EcoFlush toilets which help to minimise water use.

Operational waste management

The Environmental Due Diligence Programme reviews waste and ensures that sites are correctly following local laws for the storage and the disposal of waste. Where any non-conformances are identified, the Incident and Reporting Standard is followed. In addition, a new guidance document was created in 2024 to help sites create their own waste management plans. Environmental training is provided to employees which includes training on waste sorting to increase recycling, and awareness training on energy saving actions, such as turning off lights and screens.

The utilisation of nesting software continued in 2024. Nesting software prepares both metallic billet/sheet patterns and carbon fibre materials for cutting, improves material efficiency, and reduces the amount of waste going to landfill.

Our Munich site also has a project underway to reduce waste, which includes enabling a controlled expansion of material quality and origin. This provides a controlled process to allow waste material to be used in production processes, leading to less waste going to landfill and increased circularity.

GKN Aerospace has also partnered with a local social enterprise at one location in order to help achieve our target of diverting 95% of (non-hazardous) waste from landfill. Through this partnership, dry waste and sanitary waste will be recycled and wet waste will be used for composting, ultimately diverting 100% of waste away from landfill. Working with a social enterprise on this project has positive environmental and social impacts, through improving livelihoods and creating job opportunities.

A new collaboration with a mill and a recycling plant in Sweden is also set to reduce our waste sent to landfill by working to recycle paper towels used in our restrooms.

Circularity is essential across GKN Aerospace, with aspects of circularity incorporated into products through sustainable design principles. Across sites, the recycling of metal swarf is prioritised, viewing it as a product rather than a waste stream. GKN Aerospace sites have invested in reducing contamination of swarf to ensure it is as pure as possible, maximising its future use in the aerospace industry. Steps include, the introduction of labelled swarf collection bins to reduce cross contamination, and a notification system to inform operators of the planned work for the day so they are able to prepare the correct swarf collection bin beforehand. The implementation of in-house testing for the moisture content within brickettes will also give GKN Aerospace more control over the swarf it is selling.

We also aim to reduce the amount of packaging used for our products. When the Fabricated Fan Case Mount Ring ("FFCMR") was first produced, three different types of packaging were used for transportation between various sites. A looping system has since been introduced and now only one type of packaging is needed for all of the transportation and production stages. This saves GKN Aerospace costs, packaging material, and reduces emissions from transportation, as well as optimising waste and storage management.

CASE STUDY /

IMPROVING COMMUNITY HEALTH

LANGFANG'S CLEAN-UP ACTIVITY

In Langfang, China, colleagues and their families have been getting involved in a plogging activity in their local nature park. The term 'plogging' refers to an activity which combines jogging with picking up litter. It is a simple yet powerful way to engage in physical exercise while contributing to the cleanliness of the local community. Pedestrians in the park showed great interest in the activity with some joining in and taking the opportunity to learn about GKN Aerospace, raising awareness and enhancing the Company's image and reputation. The Plog Run is part of a broader, ongoing initiative to raise awareness about the need for waste reduction and inspire others to take action, encouraging environmental stewardship in the wider community.

TARGETS

In 2024, 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 engaged with all relevant parts of the business to secure the route to our target to divert 95% of solid non-hazardous waste from landfill by 2025.

90% (2023: 89%)

solid non-hazardous waste diverted from landfill in 2024 against the 95% target by 2025

In addition to the new targeted waste diversion initiatives mentioned and those already ongoing, we expect that new recycling contracts at specific sites in 2025 will help us achieve this target.

METRICS

The direct material inflows into our products are mainly machined and fabricated goods, forgings and castings, composite and metallic materials, sub-components, systems and assemblies, and electronics. Consumables such as lubricants, solvents, chemicals, and machinery, such as tooling, are used to assemble and fabricate the components and are also key inputs to the manufacturing process. We also depend on natural resources, or resources derived from natural resources, such as fuel, water, gas and electricity.

The outflows of our operations are the finished engine and airframe structure components and assembly of the inflows discussed above. There are also by-products, such as waste and scrap, that also come out of the manufacturing process.

GKN Aerospace's waste generation data for 2024 shows an overall decrease in the solid waste generated compared to 2023. There have also been decreases in the total waste to landfill and the proportion of non-hazardous waste per revenue that is sent to landfill.

Melrose waste generation data for the period 1 January 2024 to 31 December 2024[1]

	2024	2023	Change (2024/2023)
Total solid waste	17,146	17,580	-2.5%
thereof non-hazardous waste	15,308	13,887	+10.2%
thereof non-hazardous waste to landfill	1,559	1,597	-2.4%
thereof non-hazardous waste for recycling/reused	11,042	9,903	+11.5%
thereof non-hazardous waste incinerated	166	311	-46.6%
thereof non-hazardous waste incinerated with energy recovery	2,540	2,077	+22.3%
thereof hazardous waste	1,838	3,693	-50.2%
thereof hazardous waste to landfill	803	951	-15.6%
thereof hazardous waste for recycling/ treatment	456	1,112	-59.0%
thereof hazardous waste incinerated	162	210	-22.9%
thereof hazardous waste incinerated with energy recovery	417	1,421	-70.7%
Solid waste to landfill (hazardous and non-hazardous)	2,362	2,548	-7.3%
Solid waste diverted from landfill (hazardous and non-hazardous)	14,783	15,033	-1.7%
Solid non-hazardous waste diverted from landfill	13,748	12,290	+11.9%
Solid non-hazardous waste diverted from landfill rate	90%	89%	+1.1%
Company's chosen intensity measurement[2]			
Tonnes of solid non-hazardous waste per £1,000 revenue	0,0044	0,0045	-2.2%

During 2024 there were no reportable spills. (2023: zero)

Resource use and circular economy

Target	Target	Baseline year	2024 performance	Target maturity	Progress against target
% of our solid waste diverted from landfill[3]	95%	2020	90%	2025	On track

(1) In addition to restatement for sold sites, the 2023 numbers have been adjusted due to improved data collection and accuracy.
(2) The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.
(3) Excluding hazardous waste.

NURTURING OUR PEOPLE AND CONTRIBUTING TO COMMUNITIES

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.

<0.1

LTA (lost time accident) frequency rate achieved

>272

apprentices in GKN Aerospace (2023 : >200)

IN THIS SECTION

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OWN WORKFORCE

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.

To perform well and achieve our potential, it is important to nurture an engaged, capable and enthusiastic workforce. We want to create an environment that enables people to enjoy the work they do, where 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.[1]

RISK ASSESSMENT

Health and safety

The Group has dedicated Corporate and site level Health and Safety ("H&S") teams, which have rolled out a comprehensive H&S programme across all sites. The Corporate H&S team has led business-wide training on risk management for all operational leaders and an awareness campaign around GKN Aerospace's Golden Safety Rules. All sites are required to self-certify compliance with the Golden Safety Rules, which is validated through an internal audit programme throughout the year.

All tasks are risk assessed and the business has invested in providing the appropriate personal protective equipment ("PPE") and appropriate safety equipment. Risk Assessments are communicated to employees, to provide them with the knowledge and skills necessary to perform their roles safely. Under the Golden Safety Rules, all employees are required to use the safety equipment provided and adhere to any safety training and instructions given.

Monthly checking and review of Health, Safety and Environment ("HSE") performance is completed through a tiered review process. Business Reviews occur monthly, HSE divisional team meetings occur on a bi-weekly basis, and weekly meetings cover both the previous month's H&S performance as well as 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 HSE metrics on a monthly basis.

POLICIES

General

Our people are obliged to uphold the highest standards of conduct. This includes strict adherence to Melrose's Code of Ethics and compliance policies, which are continually refined to reflect the latest industry best practices and to uphold the principles of corporate citizenship.

Our Group 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.

→ **Group Code of Ethics**
melroseplc.net

The Group Company Secretariat conducted a review and update of the Group Code of Ethics and associated policies during 2024 to reflect the Group's strategic transition to a long-term aerospace business and its revised management structures. The review included input from relevant subject matter experts as well as external counsel where appropriate, and the updated Code of Ethics and associated policies were subsequently approved by the Board in December 2024.

Health and safety

The health, safety, and wellbeing of all our employees, contractors, and visitors is paramount. We understand the challenges and responsibilities within our industry, and we are unwavering in our commitment to maintaining the highest safety standards across our business. In the past year, we have continued to make significant strides in ensuring the safety of our operations and the wellbeing of our workforce.

We want to create an environment that enables people to enjoy the work they do, where safety and wellbeing are a priority.

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Our culture of prioritising safety is ingrained in every aspect of our business. We have strong governance principles, robust policies and rigorous safety protocols, and invest in state-of-the-art safety equipment whilst ensuring employees are equipped with the knowledge and skills necessary to perform their roles safely. We adopt a comprehensive approach to employee wellness, beginning with safeguarding their physical and mental health, supporting their social wellbeing, and upholding their human rights. This extends to fostering a positive workplace culture that attracts and retains a talented and skilled workforce.

We have an internal Health, Safety and Environment policy outlining how the principles are applied throughout the business. The policy aligns with ISO 45001 and provides five overarching standards and ten critical risk standards for managing our business. These are reviewed annually and an audit programme is in place to monitor adherence to these standards requiring Site Directors' sign off. The Board holds ultimate responsibility for the Health, Safety and Environment policy.

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 sharing best practice in supporting employees with mental health and wellbeing initiatives in each region, such as our ThinkHealth e-brochure, which highlights areas of self-care and provides employees with information on support resources.

Freedom of association and collective bargaining

The rights of workers to participate in collective bargaining and their freedom of association are 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.

We continue to pay all UK employees at least the national 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. Additionally, all employees in the UK are offered the opportunity to work for at least 15 hours per week.

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.

Diversity and inclusion[1]

At Melrose we believe that creating an inclusive culture is critical to our success. 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.

Our policies on Diversity, Inclusion, and Belonging sets out our position and covers all employees. We are an equal opportunities employer and seek to eliminate all discrimination on the basis of personal characteristics from our operations. 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, updated where relevant, and approved each year by the Nomination Committee.

→ **Group Diversity and Inclusion policy**
melroseplc.net

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

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.

We have Behaviour at Work policies in place to further highlight our commitment to respecting the rights of all employees and treating everyone with the same dignity and respect. These policies cover various topics including but not limited to bullying, harassment, sexual harassment and victimisation. In 2024, Melrose introduced its UK Behaviour at Work policy which applies to all individuals working for, or on behalf of Melrose, with overall responsibility lying with the Chief Human Resources ("HR") Officer.

Our Code of Ethics highlights the importance of Diversity, Inclusion, and Belonging. Any employee who feels there is a breach of this policy, or has concerns, is able to raise this confidentially and if necessary anonymously, through our whistleblowing hotline.

Talent and career management

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.

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, and in 2024, 17% of open positions were filled by internal candidates (2023: 14%).

Human rights

We have a zero-tolerance approach to any form of modern slavery, as set out in our Anti-Slavery and Human Trafficking policy.

Group Anti-Slavery and Human Trafficking policy
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. GKN Aerospace is also responsible for publishing its own Modern Slavery Statement in accordance with the requirements under the Modern Slavery Act 2015. 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 Modern Slavery Statement
melroseplc.net

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.

Group Human Rights policy
melroseplc.net

We respect and comply with all relevant local laws regarding voluntary employment and minimum age for employment. We do not tolerate slavery, servitude, forced or compulsory labour or human trafficking in any of our operations or supply chain. We are committed to investigating, addressing and giving remedy to human rights violations that we have found to have caused or contributed to.

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

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 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.

We take a number of actions to raise employees' awareness of the whistleblowing platform, using online and offline media as appropriate.

Employees who come forward with a genuine concern are treated with respect and dignity and do not face retaliation.

ENGAGEMENT

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. Where permitted by local laws and employee representative bodies, performance evaluations are undertaken across the business, with 75% of employees receiving a performance review in 2024 (2023: 72%).

One key avenue for engagement with employees is through our annual anonymous all-employee engagement survey. This is undertaken across the Group in order to collate the views of employees and identify areas of strength and those in need of development. The results of this survey are shared with executive management and taken into consideration to reduce adverse impacts to employees and promote opportunities to enhance positive impacts.

The Take Two initiative requires all people leaders to identify two actions with their team that will have the most significant impact on engagement and then focus on getting them done.

From the 2024 annual engagement survey, the key view expressed by our workforce was in relation to action planning of teams or progress made on goals agreed. In response to this employee feedback, the executive team built engagement actions into the business cadence all year round and launched an initiative called Take Two. This initiative requires all people leaders to identify two actions with their team that will have the most significant impact on engagement and then focus on getting them done. When complete, two more impactful actions are selected and worked on meaning that all teams are always working on two improvement actions. A key driver behind this decision was that based on Gallup statistics, employees who strongly agree their team has made progress on action planning goals are 30 times more likely to be engaged.

Additionally, Pulse surveys are held during the year as a temperature check on how well feedback and action planning are going and how much progress is being made against those action plans. There is a clear correlation between managers and teams who have taken action as a result of previous surveys and improved engagement scores.

Positive efforts have been made by line managers to improve team engagement, as signalled by a meaningful improvement in the Accountability Index items measured in the June Take Two 2024 Pulse survey. All divisions and functional areas have made significant improvements in their accountability index scores. Engagement on the annual all-employee survey is now at the 46th percentile of Gallup's global database having started in the 13th percentile in 2016.

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 is chaired by the Chief Human Resources Officer with other members being the Human Resources Director (or equivalent role) from each business line and the Group General Counsel and Company Secretary. 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.

The Company also utilises a number of other engagement mechanisms including monthly 'All Hands' briefings at each site with the relevant site director. Every site also has a structured, tiered approach, to daily management with each cell, team, area and function having daily communications and/or meetings to discuss targets and escalate issues requiring more senior management support. The Company also has an intranet site called 'Aeronet' which publishes information regarding company performance, objectives, news and announcements. A large number of GKN Aerospace's employees are covered by collective bargaining units, national collective agreements and union agreements. As such, engagement with employee representative bodies remains a focus during the year, both in terms of ordinary course matters and specific events.

Whistleblowing

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.

To raise concerns, including those relating to discrimination, the Group operates a multilingual whistleblowing platform through a third-party provider, Navex, which is available 24/7, and allows confidential (and if so requested, anonymous) reports. During 2024, 76 whistleblowing cases were recorded through the platform (2023: 84). 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. The Audit Committee receives regular reports on whistleblowing activities across the Group.

The Whistleblowing Lead monitors cases raised through the Hotline via a dashboard to ensure concerns raised are assigned promptly to appropriate management team members for investigation, and to ensure that investigations are completed on a timely basis, communications with the reporter are prompt, and appropriate actions are identified. The Whistleblowing Lead reports on current statistics and trends to the General Counsel, Assistant General Counsel and the SVP of Safety and Corporate Compliance on a monthly basis and works with the SVPs of Human Resources to identify actions where the volume of calls in specific sites are high. A summary report in relation to whistleblowing cases is presented to the Audit Committee on a quarterly basis, and priority cases (those involving particularly serious wrongdoing) are escalated to the Chair of the Audit Committee as and when they arise. Training is assigned to sites in relevant countries where the volume of calls relating to diversity and inclusion reaches a certain threshold.

Every site also has its own grievance/complaints procedure and protection against retaliation, which is based on a combination of local legislation and union or works councils agreements. Local grievances are tracked and monitored locally and in 2025, we will introduce enterprise case reporting to provide more central oversight.

Concerns relating to discrimination

All employees are encouraged to express any concerns they have in relation to diversity, equity and inclusion throughout our operations. Remedies will be in line with the results/findings and actions agreed in whistleblowing and local grievances/complaints. Actions may also be identified and agreed through our employee representative groups.

Employee Resource Groups

We recognise that some of our colleagues face different challenges and may need a little extra help and support in line with local laws, either to get their voices heard or to put their ideas into practice. Our Employee Resource Groups ("ERGs") are open to all employees to join and provide support and networking opportunities across the organisation in six areas:

- Connected Women;
- Future GKN;
- LGBTQIA+;
- African Black Caribbean Professionals;
- Mastering Neurodiverse Strengths; and
- Veterans and Reservists.

Our ERGs have brought together our employees providing them with opportunities to collaborate, educate others about the challenges they face or ways they can help the organisation, and help to drive a real sense of belonging. To revitalise our ERGs, we have invested in an external development programme for our ERG Leads to provide them with the skills and tools to lead their ERG effectively.

The 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 – and to give them a real sense of belonging.

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 local legislation, union or work council agreements and policies.

ACTIONS

Health and safety

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 regarding any material incidents or issues that arise. Senior management take an active role through engaging in safety tours, in conjunction with HSE experts validating the effectiveness of H&S controls on our sites. In 2024, particular focus was placed on strengthening the risk assessments and risk controls of the Golden Safety Rules and we launched a new Safety Management System that covers both our business systems through our reporting framework as well as personal competencies through training.

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 our approach in improving safety performance.

Controls implemented at sites are tested during on-site audits and leadership safety tours ("LSTs") and they are monitored through Data Collection System ("DCS") audit action plans. Our LSTs focus on major non-conformity critical risks and Golden Safety Rules compliance. In order to remedy negative impacts on the workforce, Health and Safety departments conduct investigations of all Major Near Misses and Major Accidents. These result in either a Lessons Learned or a Safety Alert issued to all divisions. If a Safety Alert is issued, the sites must address specific corrective actions (if applicable to the site). All Safety Alert corrective actions are tracked to completion by the divisional HSE Director. Where incidents have occurred, they are investigated and validated by the HSE Directors, who will brief divisional Presidents with any actions/outcomes that need to be implemented. The highest management position accountable for health and safety is the Chief Executive Officer, who discharges these duties through the Senior Vice President for Senior VP Safety & Corporate Compliance.

HSE audits, environment verifications and LSTs are used to track that identified health and safety actions have been completed. Any health and safety actions resulting from Safety and Corporate compliance meetings are also tracked to completion.

Individual 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 quarterly on three KPIs – Major Accident Frequency, Lost Time Accident Frequency ("LTA"), and Accident Severity Rate – covering all sites. Although responsibility for health and safety rests with the divisions, in the unfortunate circumstance of a very serious incident, the Melrose senior management team will engage directly with the relevant divisional executive management team and report any actions taken directly to the Board.

Where health and safety incidents have occurred, 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. Additionally, various measures have been adopted to improve safety outcomes and support injured personnel. This includes Standard Operating Procedures ("SOPs") developed for high risk tasks to ensure consistent safety protocols and standardised processes, minimising preventable incidents. Task-specific risk assessments are also conducted prior to conducting complex or dynamic work in order to identify hazards before they impact employees.

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.

All staff must be trained in the Golden Safety Rules as the areas covered have been deemed to be the highest risks within our business. This has been determined by an in-depth analysis of all HSE incidents and near misses. When we find a risk that is not adequately covered by these rules, we then create and implement more training. One example of this is the Task Specific Risk Assessment training that was rolled out in 2023 and continued into 2024. Another example is the review and update of the Lifting Golden Safety Rule, to add more detail for increased clarity for the sites.

HEALTH AND SAFETY HIGHLIGHTS

A summary of notable successes this year:

10 years

North Charlestown celebrated 10th year LTA free.

Izmir and Pune initiated Ergonomic Risk Assessment improvements with gains in productivity and reduction in safety reports.

UK Global technology centre installed live noise monitoring on the shop floor to identify whether additional measures are required for reducing the impact of noise on our workforce.

In the Group'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 important against a backdrop of the 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.

At site level, various Health and Safety initiatives have been carried out within the year. At our Trollhättan site, to reduce the risk of Hand-Arm Vibration Syndrome, preheating systems were installed for compressed air lines and enhanced safety measures including PPE usage and emergency preparedness were introduced. Our Jinjiang site issued good practice for improved chemical management on the shop floor and our Langfang site improved its fire and explosion emergency practices. The replacement of fume hoods in a chemical laboratory have produced health and safety benefits for the team, allowing for better handling through integrated alarms, cleaning systems and sensors.

To further promote a healthy lifestyle among our employees, we have launched a new cycle scheme in the Netherlands to encourage people to cycle more which allows employees to lease a bicycle with some tax benefits.

The safety of our contractors is as much of a priority as our employees. As such all contractors complete site specific training, with detailed focus on the types of hazards. The Golden Safety Rules are covered in detail in all training for contractors. The HSE teams also conduct regular checks on the safety performance of contractors to ensure the Golden Safety Rules are being upheld and a rapid response procedure is implemented for all incidents.

Diversity and inclusion

Melrose has the ambition to increase the representation of all currently under-represented groups across its business in line with local laws. To proactively support this ambition, we have in place a Global Diversity, Inclusion, and Belonging Manager to promote diversity throughout the organisation. Initiatives include starting to baseline the extent to which our employee ethnicity profiles match the communities in which we operate.

To further promote a healthy lifestyle among our employees, we have launched a new cycle scheme in the Netherlands to encourage people to cycle more which allows employees to lease a bicycle with some tax benefits.

We have a strong Diversity, Inclusion, and Belonging learning curriculum, bringing together learning, storytelling and communication to build the foundation for sustainable change. Our e-learning library is also constantly evolving, with new content added regularly to disrupt bias and discrimination, improving the employee experience for all. Throughout 2024, we have run events such as 'Menopause Awareness', 'World Mental Health Day', 'Neurodiversity Celebration Week', 'Mental Health in the African, Black and Caribbean Community' and many more. E-Learning content can be accessed by searching key words/topics, and each site can manage how e-learning content is applied based on a combination of location, country legislation, union or works councils agreements and policies.

To ensure we continually assess the support we are providing to our employees we are refreshing our Diversity, Inclusion, and Belonging ("DIB") Strategy and action plan in 2025. This will include mapping our organisational readiness and creating an Inclusion Action Plan that aims to progress good intention into sustainable actions. This will also include a reset of the DIB Steering Committee, a cross-function and multi-level group responsible for overseeing, guiding, and driving the Group's DIB strategy and initiatives, aligned to the new Inclusion Action Plan.

There are initiatives across the Group to recruit diverse talent in line with local laws, such as diverse candidate short lists and diverse interview panels.[1]

We also offer a variety of different job opportunities to suit employee requirements in line with local laws, providing workplace flexibility and contributing to work-life balance. Every site has their own policies based on a combination of local legislation, union or work council agreements, and policies. In 2024, 95% of employees were permanent (2023: 95%) and 5% were on temporary contracts (2023: 5%). 6% of permanent employees were part-time (2023: 6%), and 94% of all employees were full-time (2023: 94%). We also offer the opportunity for a career break, with applications considered on an individual basis and ranging from educational requests to care responsibilities.

(1) All Diversity, Inclusion, and Belonging initiatives and activities referenced throughout this report are applicable only within the scope of legally permitted jurisdictions.

Talent and career management

Reward and recognition

In our collaborative business model, our operational business leaders are empowered and accountable, setting the tone for their teams. 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.

Annual salary reviews are aligned with performance evaluations where applicable to ensure that employees are paid fairly and correctly for the position they hold.

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 2024, almost 200 entries were received each with multiple team members, showcasing the great work that is being done across the business and within local communities (2023: 190). There was one winner for each of the eight award categories as well as the overall Chief Executive's Award. Winners came from all divisions and from around the world, including sites in China, Germany, India, the Netherlands, Sweden, the UK and the USA. The Awards ceremony celebrated winners in multiple categories, such as Living the Culture Principles, Health and Safety, Quality, and Sustainability.

Our Global Lean community presents Kaizen awards every month to recognise continuous improvement activities that have made a difference at a site level and to our customers. The award winners in 2024 came from our sites in China, Germany, India, Norway, Mexico, the Netherlands, Sweden, Turkey, the UK and the USA. In addition to our Lean recognition, four colleagues received a significant Lean certification at Expert or Master Level, by the GKN Aerospace Lean Academy.

2024 also marked our first Sustainability summit and our celebrated Sustainability Awards. Attendees voted to select a winner from 14 outstanding projects and achievements making a real difference to sustainability.

Individual sites also run recognition proceedings. Our site in Bangalore, India, hosts an annual employee recognition event 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. In the UK, our Luton site also held its annual long-service awards ceremony, celebrating six colleagues at 25 years and one colleague at 40 years of service. There was also a 'Long Service and STAR' awards (special thanks and recognition) event for our three Bristol sites (UK GTC, Filton and Western Approach) – recognising 20, 40 and 50 years' service and people who have gone 'over and above'.

Skills development

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.

64

participants completed the Future Leaders Development Programme training

Our centrally managed leadership training programmes are subject to evaluation to determine their effectiveness. A variety of KPI's training hours, programme participation, module completion and other metrics measured through our annual employee engagement survey track the combined impact of the numerous training and development programmes described below.

- Our Future Leaders Development Programme was implemented to identify and develop potential individual contributors who have the ability and aspirations to grow into larger roles. During 2024, 64 participants completed the training.
- The Set4Success global programme applied to first line leaders with the aim of upskilling our leaders to complete their role effectively, lead engaged teams, and deliver productivity effectively. This programme delivered four modules over a four to six month period and 110 participants completed the programme in 2024.
- We also provided specific learning for managers on engagement, which focused on the fundamentals of what engagement is, the benefits of having an engaged team, why it is an important element of a manager's role, how managers can drive it effectively with their teams, and action plans to continuously improve it.
- We launched a Leadership Development programme at the end of last year with external partners Centre for Creative Leadership ("CCL"), which was targeted at leaders of leaders to refine their leadership style and aid their career progression.
- The Maximising Leadership Potential and Leading for Organisational Impact were also launched in collaboration with CCL, targeting the development of direct line managers and senior leadership.

Training opportunities across the Group's divisions
We deliver a wide variety of flexible training programmes through a combination of online and in-person training. In 2024, 88% (2023: 89%) of employees received training during the year. Although the percentage of employees receiving training marginally decreased during the year, the average training time per employee increased between 2023 and 2024 (36 to 39 hours), with increased average spend per employee as well (£360 to £418).

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 role-specific training programmes that are available within the Lean Academy, including Lean Advanced training and the DMAIC Six Sigma programme.

Engines division leadership training
Within the Engines division this year, training was relaunched for leadership teams and steering committees to standardise knowledge and strategy across the business when leading projects and programmes. The training is intended to have the whole leadership team aligned with what a project is and the importance of their roles in supporting and driving business projects to completion with a consistent structure throughout the business. There has been a strong emphasis on daily management tools as a key driver for leadership and business excellence to improve employee population engagement, productivity and profitability.

Aspiring Programme Manager and Commercial Manager
In 2024 the Structures division launched an Aspiring Programme Manager and Commercial Manager process to allow employees from any function to explore a career in programmes. We used the Gallup talent assessment to identify if internal employees had the natural talents that would lend them towards these roles and then invited people to an exploratory meeting with our functional leads. Two candidates have already been hired as a result of this process and there are a further five high potential candidates we have retained a mentoring relationship with to continue engagement for a role in the future. We also launched a Mentoring Programme and a series of internal development sessions focused on topics requested by our colleagues. To date we have run sessions on effective time management, confidence and resilience, and influencing, with 158 people in attendance at these sessions. A career roadshow was run at Bristol to allow people to find out more about careers in programmes in July 2024 and there are plans to run further sessions at our Papendrecht facility. As a result, staff turnover within the division has decreased, engagement has increased, and we have a pipeline of talent identified for future vacancies.

39 hours
average training time per employee
(2023: 36)

Apprenticeship 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 2024, 272 (2023: >200) apprenticeships were in place at GKN Aerospace, providing a mix of on-the-job and classroom training. 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 its own intake, apprenticeships are funded from the GKN Aerospace central levy fund. At one site in particular, a drop in apprentice numbers was observed, placing them at high risk of turnover due to retirement and the consequent loss of key skills became a concern for future growth. This prompted significant investment to be made into the apprenticeship programme, to establish improved links with local training providers, schools and colleges through events and community engagement to promote the apprenticeship route into STEM industries. Over a four-year period, apprentice levels at this site increased and are set to grow further over the next year.

272

apprenticeships in place at GKN Aerospace in 2024 (2023: >200)

Through our Apprentice School, each year approximately 30 students certify through the programme and are ready to work as certified operators. The aim is to support the development of individual's knowledge, skills and behaviour. GKN Aerospace also offers summer internships which help students looking to increase their skills and development in a workplace environment as well as strengthening our own internal pipeline with early career relationships and connections.

67

graduates have joined the Global Graduate Development Programme since 2022

In 2024 GKN Aerospace's Global Graduate Development Programme enrolled a further 25 (2023: 32) graduates onto the programme, bringing the total number of graduates in the programme to 67. 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 divisions and functions, preparing them for a strong and successful career within the business. The 2022 cohort of 10 highly skilled and capable individuals successfully completed the programme at the end of the year and are now moving into either specialist or leadership roles.

To support graduate development, from being an individual contributor all the way to a leader, we provide various local and international placements with concentrated soft skills development, collaboration and community support learning.

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 us develop a talented and diverse recruitment pool.

CASE STUDY /

COMMITTED TO **SKILLS DEVELOPMENT**

GLOBAL SKILLS FUND

Following on from the achievements of the Melrose Skills Fund, where £10 million was invested to promote engineering skills across the UK over five years, we have expanded our commitment to skills development. The Global Skills Fund was introduced to offer the same targeted skills development opportunities but now covers all functions and locations in GKN Aerospace.

A bottom-up approach is used to identify technical capability gaps and training opportunities focusing on tactical skills standardisation in areas such as Manufacturing Engineering, Quality Management, Lifecycle Assessment Process Development and Automation and Robotics. A top-down approach is used to proactively identify emerging capabilities and skills that will be required over the next 10 to 15 years in the aerospace industry. In 2024, training has focused on the following topics: robot programming, additive manufacturing process development and simulation, safety assessment of aircraft systems, safety management systems regulatory requirements, model based systems engineering, and composites training.

TARGETS

Diversity and inclusion

Our commitment to Diversity, Inclusion, and Belonging goes beyond simply tracking numbers however; transparency matters. We measure our progress to make sure we are always improving.

Our diversity and inclusion targets keep us focused on building a positive workplace and we have initiatives throughout our people processes from candidate sourcing to recruitment, career progression and succession, in line with local laws. We strive to ensure that everyone has the opportunity to fulfil their potential and realise their aspirations.

Board diversity

The FCA's UK Listing Rules, FTSE Women Leaders Review and the Parker Review set out a number of targets for Board diversity:

- at least 40% of the board are women (including those self-identifying as a woman);
- at least one senior board position, being that of Chair of the Board, Senior Independent Director (SID), Chief Executive Officer (CEO), or Chief Financial Officer (CFO) to be held by a woman; and
- at least one Director from an ethnic minority background.

The Board has made significant progress in improving its diversity in recent years, meeting the FTSE Women Leaders Review target of having 40% female representation on its Board for a number of years and continuing to meet the Parker Review target of having one Director from an ethnic minority background on the Board. However, recent strategic changes to the Board's composition, in parallel with the Company's strategic transformation to operating as a global aerospace technology business, have meant that the Company does not currently meet the target of 40% female representation. Three of the current eight Board members are female. Following Mr Justin Dowley stepping down from the Board on 31 March 2025, female representation is 38%.

The FTSE Women Leaders Review also set a target for at least one senior board position, being that of Chair of the Board, Senior Independent Director, Chief Executive Officer or Chief Financial Officer, to be held by a woman by the end of 2025. Whilst the key role of Audit Committee chair is held by a woman, the Committee recognises that Melrose does not currently meet the target for at least one senior position to be held by a woman. This target, along with the target for 40% female representation on the Board, is under active review and is being factored into ongoing succession planning discussions.

Own Workforce

Target		Baseline year	2024 performance	Target maturity	Progress against target
<0.1	Protect our employees[1] from injury and maintain our lost time accidents ("LTA") frequency rate[2]	2020	0.006	–	Achieved
£5m	Invest £5 million on skills development per year	–	£5.7 million	–	Achieved
All	Ensure that all employees receive regular (annual) performance reviews[3]	–	75%	–	On track
40%	Female Board membership	–	33%	Maintain	See explanation pages 68 and 69
at least 1	At least one member of the Board from an ethnic minority background	–	Yes	Maintain	Achieved/On track
40%	Women in senior leadership[4] positions by 2025[5]	–	35%	2025	See explanation page 69
13%	Ethnic minority diversity in UK senior leadership positions by December 2027	2024	8%	2027	New target

(1) Throughout this Sustainability Report the definition of employees includes the following categories of employment: "regular", "temporary", "apprentice", and "intern/co-op", but excludes "agency" workers.
(2) The target does not include contractors.
(3) Where permitted by local laws and employee representative bodies.
(4) Senior Leadership roles defined as Executive Committee and Executive Committee -1.
(5) Applicable only within the scope of legally permitted jurisdictions.

The Nomination Committee is committed to furthering diversity and is responsible for ensuring the membership of the Board and the pipeline for succession planning purposes reflects diversity, as well as including the experience and knowledge needed to perform the role and ensure a well-rounded overall Board composition.

Promoting diversity at all levels

Below Board level, Melrose operates an Executive Committee which facilitates the development of a diverse pipeline for succession planning purposes. As at 31 December 2024, the Executive Committee and its direct reports consisted of 35% female representation (2023: 41%) and 22% female representation specifically at an Executive Committee level (2023: 37%). Melrose therefore currently does not meet the expectations of the FTSE Women Leaders Review but plans to keep this under review.

As a signatory of the Women in Aerospace and Aviation Charter, our efforts to improve the number of women we have in leadership roles are focused on driving towards a robust pipeline of female talent. We have meaningfully increased our representation of women in operational senior leadership since our transition and strive to continue this progress.

In 2024 Melrose set a new target for 13% of senior management positions in the UK to be occupied by ethnic minorities by 31 December 2027, in line with the recommendations of the Parker Review for FTSE 350 companies. This reflects a 4% point rise from the baseline position as at the end of June 2024.

Health and safety

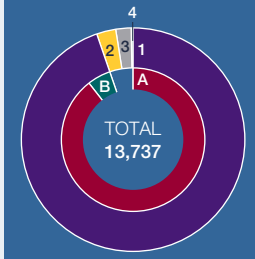
We have a Group target to achieve and maintain an annual LTA Frequency Rate of below 0.1. This underpins our overarching commitment to prevent all accidents from occurring, through the promotion of safe behaviours across all locations, and an enhanced focus on hazard identification and awareness.

The Company has an objective to stop all preventable accidents and reports three KPI metrics accordingly to track our progress. We also aim for a Health and Safety risk assessment to be conducted at 100% of sites and for the Golden Safety Rules to be upheld by all sites and employees. In 2024, we maintained an LTA Frequency Rate of below 0.1, with only one LTA having occurred (2023: 11), and continued to prioritise continuous health and safety improvements in the push for the LTA Frequency Rate of zero. Please refer to the Health and Safety section of our Non-Financial KPIs on page 25 of our 2024 Annual Report for further details.

METRICS

General

Group employees as at 31 December 2024



1	Permanent employees of which:	13,032
	A Full-time employees	12,291
	B Part-time employees	741
2	Temporary employees	396
3	Apprentices	272
4	Intern/Co-op	37
	Total	**13,737**

As of 31 December 2024 Melrose had 1,962 "agency" workers (2023: 2,225).

Open positions filled by internal candidates

17%

(2023: 14%)

Overall voluntary attrition

7.81%

(2023: 7.98%)

We have collective bargaining agreements in all operational sites in the UK, the Netherlands, Sweden, Germany, Canada, Turkey and Norway. There are also agreements in place at some of our US sites, with 8,107 (2023: 8,574) employees covered by either a collective bargaining unit, a national collective agreement or a union agreement.

Health and safety

GKN Aerospace's manufacturing sites (unless agreed with HSE Directors) must achieve or be working towards the ISO 45001 certification. As at 31 December 2024, 29 sites (63%) within the Group were certified to the ISO 45001:2018 international standard (2023: 33 sites, 66%), with additional relevant sites progressing towards certification. Third-party auditing on a three-year cycle is required to maintain ISO certification, with annual surveillance audits taking place in between to ensure standards are being maintained.

No fatalities were recorded across employees and contractors in the Group during 2024 (2023: none).

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

2024 Employees

2

(2023: 37.75)

2024 Total (including contractors)

1

(2023: 33.55)

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.

2024 Employees

0

(2023: 0.038)

2024 Total (including contractors)

0

(2023: 0.038)

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

2024 Employees

0.006

(2023: 0.051)

2024 Total (including contractors)

0.012

(2023: 0.057)

DIVERSITY AND INCLUSION

Diversity and inclusion

Gender diversity as at 31 December 2024

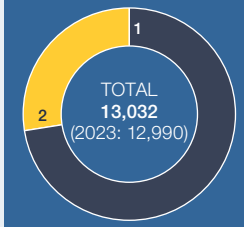
	Number of Board members	Percentage of Board members	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	67%	4	7	78%
Women	3	33%	0	2	22%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnic diversity as at 31 December 2024

	Number of Board members	Percentage of Board members	Number in executive management	Percentage of executive management
White British or White (including minority white groups)	8	89%	7	78%
Ethnic Minority	1	11%	2	22%
Not specified/prefer not to say	0	0%	0	0%

The above tables provide a breakdown of gender and ethnic diversity at a Board and executive management level as at 31 December 2024. This information was collected by asking both the Board and executive management team to complete the same voluntary questionnaire. This questionnaire sets 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.

Group permanent employee gender diversity at 31 December 2024



Total Group permanent[1] employees		
1 Male	72%	9,420
2 Female	27%	3,551

(1) Just "regular" employment category; "temporary", "apprentice", and "intern/co-op" categories excluded.

Gender pay gap reporting

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 on market salary data for the aerospace industry, which is published annually. This allows us to ensure that 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. In 2024, the entity saw its median gender pay gap decrease to 5.6% (2023: 14.7%), which is smaller than the UK's national average median gender pay gap of 7.0% (2023: 7.7%) and it also achieved a materially smaller median gender pay gap than the industry average for manufacturing companies of 14.9% (2023: 16.1%)[2].

Training and development

	2024	2023
Average training time per employee (hours)	39	36
Average training spend per employee (£)	418	360
Total number of training hours	**531,624**	**500,838**
Total annual spend on workforce training (£)	**5,721,000**	**5,035,000**

£5.72m

invested in workforce training during 2024 (2023: >£5m)

Human rights

There have been no violations on human rights in 2024 or in the previous two years.

Whistleblowing

During 2024, 76 whistleblowing cases were recorded through the platform (2023: 84).

(2) Source: Office for National Statistics Provisional Gender 2024 Pay Gap Table 16.12. Accessible through www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsashegenderpaygaptables

WORKERS IN THE VALUE CHAIN

RISK ASSESSMENT

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 'Assent' collaboration and compliance portal offers the opportunity to unify the approach to supply chain compliance monitoring and data capture across key suppliers to GKN Aerospace. Key regulations and ESG due diligence are covered in the portal providing the opportunity to run sophisticated, business-wide supply chain survey campaigns. This increase in sophistication leads to the possibility of better analysis and insights into the GKN Aerospace supply chain. In alignment with our Scope 3 SBTi supplier engagement target, we are utilising the portal to monitor and assess our supplier footprint.

POLICIES

Supply chain management

We participate responsibly and sustainably within our supply chains and seek to mitigate the supply chain risk on our business by at a minimum, procuring raw materials from trusted and verified sources.

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.

We expect our businesses and their suppliers to have practices in place that prohibit the recruitment of child labour and use of forced, bonded, or trafficked labour. As a Group, we are committed to respecting human rights in accordance with international human rights principles including the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights and The International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work, and expect our businesses and their suppliers to respect all labour and human rights through their value chains including at a minimum, those expressed in these documents.

Through Melrose's Supply Chain policy, updated in December 2024, and GKN Aerospace's Supplier Code of Conduct, we set our ambitions to safeguard both human rights and the natural environment globally and all suppliers are required to comply with the policy and the Code.

Group Supply Chain policy
melroseplc.net

Our Supplier Code of Conduct sets out all of our expectations and standards and applies to all of our suppliers and sub-tier suppliers. Responsibility for the implementation and management of supplier-related governance principles and policies rests with the divisions and their management teams. Our Group-level supplier-related policies include the Supply Chain policy, the Conflict Minerals policy, the Human Rights policy, and the policy principles laid out in the Melrose Code of Ethics.

Group Conflict Minerals policy and other related policies
melroseplc.net

In 2024, a supplier collaboration and compliance portal was introduced to support supply chain due diligence, covering multiple aspects of compliance including matters of social impact, human rights, modern slavery, child labour and labour rights. Recognition of this portal is shown in the updated Slavery and Human Trafficking Statement for GKN Aerospace. The portal will be used to conduct enhanced supplier screening which continuously scans public sources of information and reports any potential risks and issues relating to the supplier, their suppliers, and news from the local area in which the supplier operates.

Our normal corrective action procedures are in place to address supplier non-conformance with any standard or policy, including human rights and labour issues. Any breaches of contract would be addressed in accordance with the contract. Supplier non-compliance can also be addressed through education utilising materials available through GKN Aerospace's supplier collaboration and compliance portal provider.

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 to 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. At 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. All employees are required to complete mandatory conflict mineral training to ensure they are fully aware of the procedures in place.

GKN Aerospace's long-term supplier framework stipulates the requirement for adherence by suppliers to conflict mineral laws and requires them to have their own policies and procedures in place to ensure compliance by their employees and sub-tier supply chain. In addition, 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 minerals compliance. A new central GKN Aerospace compliance portal is in the process of being implemented, with a number of sites already conducting conflict minerals surveys during 2024. Implementation will be completed in the first quarter of 2025 and will result in over 500 suppliers being asked to respond. The new portal will increase the level of analysis conductible on conflict minerals data at a GKN Aerospace global level, and will ensure the validity of collected conflict minerals reporting templates from suppliers.

ENGAGEMENT

GKN Aerospace's Supplier 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.

ACTIONS

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. GKN Aerospace procurement teams are trained on the contents of our Supplier Code of Conduct.

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 the Group's own policies relating to environmental sustainability. This aligns with our commitment to ensuring that our 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, such as ISO 14001, are in place.
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 shares its Supplier Code of Conduct on the supplier portal home page to ensure it is easily accessible and visible to the suppliers when they access the portal. There is no systematic training of suppliers, however training would be implemented on a case by case basis if required.

Currently, all suppliers are required to work in alignment with the GKN Aerospace Code of Conduct which stipulates that all anti-corruption laws must be followed. GKN Aerospace also has an established Anti-Bribery and Corruption policy to back up the Code of Conduct requirement. During 2025, work on anti-corruption and anti-bribery will be improved through increased due diligence utilising the newly implemented supplier collaboration and compliance portal. The increased due diligence will look for alignment with ISO 37001 and supporting documentation.

AFFECTED COMMUNITIES

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. In 2024, 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 2024, GKN Aerospace undertook community initiatives and invested over £161,000 (2023: £160,000) in a mix of donations, sponsorships and employees' volunteering their time to help others and charitable causes globally. GKN Aerospace also made cash donations to non-profit charitable organisations in excess of £61,000 (2023: £58,000), giving a total contribution of more than £220,000 (2023: £218,000) to support charities and local communities[1]. Community investment is led by sites, all of which are required to comply with the Anti-Bribery and Corruption policy.

Examples of community initiatives relating to social issues include:

- In the UK, our three sites in Bristol (UK GTC, Filton and Western Approach) joined forces to raise funds to purchase a minibus, so that local disadvantaged children can be transported to various enrichment activities. This provided children with access to opportunities and experiences they might not otherwise have. As part of fund-raising efforts, the sites organised various events from coffee mornings to climbing Mount Snowdon. In total, the sites collectively raised over £10,000.

(1) Restated to reflect sold sites as well as improvements in data collection and methodology.

- Our Luton site held a charity football match in aid of Brain Tumour Research, raising more than £6,000 in the process.
- Our Kongsberg site in Norway, supported multiple good causes, that were particularly focused on STEM activity, such as sponsoring student rocket-building and technology competitions in their community.
- In the US, our site in Tallassee focused on activities to support young students with donations and back-to-school supplies as well as providing interview and networking skills.
- In China, our Langfang site donated £2,000 worth of living essentials to the local Social Welfare Institute, which supports orphaned children and those with disabilities or that live in extreme poverty.

Our 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 the successful installation of a 1.2MW solar farm which is planned to deliver 20% of self-generated renewable energy to our site in Cowes. Spanning 3.9 acres, it is equipped with 2,734 solar panels, generating 1,153,442 kWh of electricity annually. GKN Aerospace now has seven sites that generate solar power on site – Cowes, UK GTC, Hoogeveen, Papendrecht, Pune, Western Approach and Chihuahua. In addition to these, we have three sites in the planning and installation phase of solar power – El Cajon, Trollhättan and Mexicali. Hence we have reduced our reliance on the grid by making the most of onsite generation capabilities.

In India, colleagues in Pune organised a clean-up activity at the historic Sinhagad Fort, an ancient hill fortress, which is one of the most visited and admired forts in the state. Local clean-up days also took place at our sites in Bangalore and Jingjiang. We also had multiple site-level activities including tree planting and on-site plastic and packaging reduction and recycling initiatives. 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 our website, which allows journalists from around the world to raise relevant queries or concerns.

CASE STUDY /

EMPOWERING THE DISABLED AND UNDERSERVED

WALKING FOR A CAUSE

As part of our Bangalore's ongoing Corporate Social Responsibility ("CSR") initiatives, the team organised a Walkathon in collaboration with Samarthanam Trust for the Disabled, with the theme of 'Health For All'. The Samarthanam Trust is dedicated to empowering people with disabilities and underserved communities, providing education, healthcare, vocational training, and employment opportunities. The aim of the event was to raise awareness of the importance of inclusion, accessibility, and empowerment of people with disabilities. By teaming with Samarthanam, we aimed to contribute to their mission and highlight the need for greater accessibility and support for people with disabilities in all areas of life – be it education, employment, or social integration.

CASE STUDY /

POSITIVE IMPACT ON EMPLOYEES AND OUR COMMUNITY

COMMUNITY CENTRE DECORATION CELEBRATES LOCAL CULTURE

Our team in Bangalore have taken our commitment to the UN's SDGs into the local area, creating an artwork to encourage the community to think about sustainability. The wall painting initiative feeds into our larger CSR strategy and aims to have a positive impact on both our employees and the local community. This area in Bangalore, Marathahalli, used to be a dumping yard. Our initiative involved designing and executing vibrant sketches on the walls to promote the SDGs. These goals include pictorial representations of 'No poverty', 'Zero hunger' and 'Good health and well-being'. These artworks were intended to reflect the SDGs in line with our values and celebrate local culture. The project exemplifies our commitment to our local area, demonstrating our dedication to fostering community engagement and enhancing the aesthetic value of our work environment. This initiative has provided the community centre with a visually stimulating environment that serves as a reminder of the positive contributions that local businesses can make to community wellbeing.

CONSUMERS AND END USERS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

POLICIES

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 active plans and targets to reduce the risk of non-conformance and to reduce the cost of poor quality.

ACTIONS

We take 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. All raw material is certified based on specific qualification requirements described in the specification of the material and produced at a qualified source. Tests are performed at an approved laboratory certified to end customers' requirements.

In 2024, 97% (2023: 96%) 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 re-certified 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.

In 2024, we launched a new Safety Management System ("SMS") that complies with the regulatory requirements of EASA Part 21 and Part 145 introduced this year. This SMS encompasses both business systems, including a reporting framework that integrates the concepts of 'the Event Lifecycle' and 'Just Culture,' as well as personnel competencies such as training. To prepare for these new regulatory requirements, last year we rolled out eLearning modules on SMS awareness, making them available to all employees to support the development of the necessary knowledge and skills for a compliant SMS.

We are committed to ensuring the highest standards of product quality, reliability and safety.

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.

IN THIS SECTION

77 Business conduct

BUSINESS CONDUCT

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 listed company with strong, established financial and non-financial controls that are continually assessed, tested and reviewed.

The Code of Ethics and compliance policies, as approved by the Melrose 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.

POLICIES

Our commitment to maintaining a responsible and ethical corporate environment is underscored by a comprehensive 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 strict adherence to Melrose's Code of Ethics and compliance policies, which are continually refined to reflect the latest industry best practices and to uphold the principles of corporate citizenship.

Each business line is tasked with the responsibility of complying with our Code of Ethics and compliance policies and 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.

Any employee who becomes aware of a violation of the Code of Ethics should disclose the relevant details via the Group's ethics and compliance reporting line. The Group is committed to ensuring that employees who come forward with a genuine concern are treated with respect and dignity, shall not face retaliation and shall be protected to the fullest extent possible. The whistleblowing programme is communicated to all employees through training and clear physical and online notices and communications.

There is collective responsibility for business conduct. The Code of Ethics forms the base of this and is owned by the Legal function. Individual whistleblowing cases are reported to the appropriate teams to investigate, depending on the nature of the report, and are fed into both the legal team and the Safety and Corporate Compliance team.

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.

→ **Group Anti-Bribery and Corruption policy**
melroseplc.net

Although the policy prohibits party political donations, it does however recognise that from time to time, business representatives within our Group may 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.

Tax

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 18 February 2025.

→ **OECD tax transparency report**

Information security and data privacy

Melrose places a high priority on privacy, striving to minimise the collection of personal data and ensuring robust, segregated storage for any data held. Recognising the increasing importance of information security and cyber threats across all industries, Melrose is committed to protecting the Group from potential exposures, especially given its scale, reach, complexity, public-facing nature, and the sensitivity of data related to civil aerospace technology and controlled defence contracts.

The senior management team at Melrose collaborates regularly with business line management and external cyber security risk consultants to review the Group's information security and cyber threat risk profile, a principal risk area. This collaboration helps monitor and track the Group's exposure to cyber security risks, drive continuous improvement actions, and ensure compliance with the General Data Protection Regulation ("GDPR").

Melrose's information security strategy and risk-based governance framework aligns with both UK and US Government recommendations on cyber security. This strategy has facilitated the development of risk profiling and mitigation plans to reduce exposure to cyber risks, ensuring clarity and consistency in IT and cyber security assessments. Progress is measured quarterly against the information security strategy.

ACTIONS

The Melrose Board oversees the Group's governance framework and is supported by independent internal audit and risk functions, regular public disclosure and financial reporting, external audits, public accountability and conformance with leading benchmarks set by 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.

Implementation of the Group Code of Ethics and compliance policies is supported by risk assessments, audits and reviews and annual compliance certifications. In 2024, all employees, suppliers and contractors complied with our Code of Ethics, conducting business with integrity and in a responsible, ethical and sustainable manner. 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. It is important that all employees are provided with training that is appropriate to the roles they have and the risks they face in those roles.

As part of the Group's preparation for the introduction of the offence of failure to prevent fraud as set out in the Economic and Crime Corporate Transparency Act 2023, we are updating our corporate fraud risk assessments. No material weaknesses in our control environment have been identified as part of this ongoing process.

Melrose strongly believes that policies and procedures are only as effective as the people who implement them.

To mitigate the impact of external cyber attacks, the Melrose senior management team works with executive management teams of each division and external cyber security risk consultants. The results of this ongoing review programme are reported to the Board quarterly. The Board, supported by the Melrose senior management team, oversees the Group's cyber security risk profile and mandates that each business function protects commercial and personal information, ensuring safe and appropriate IT system usage by employees.

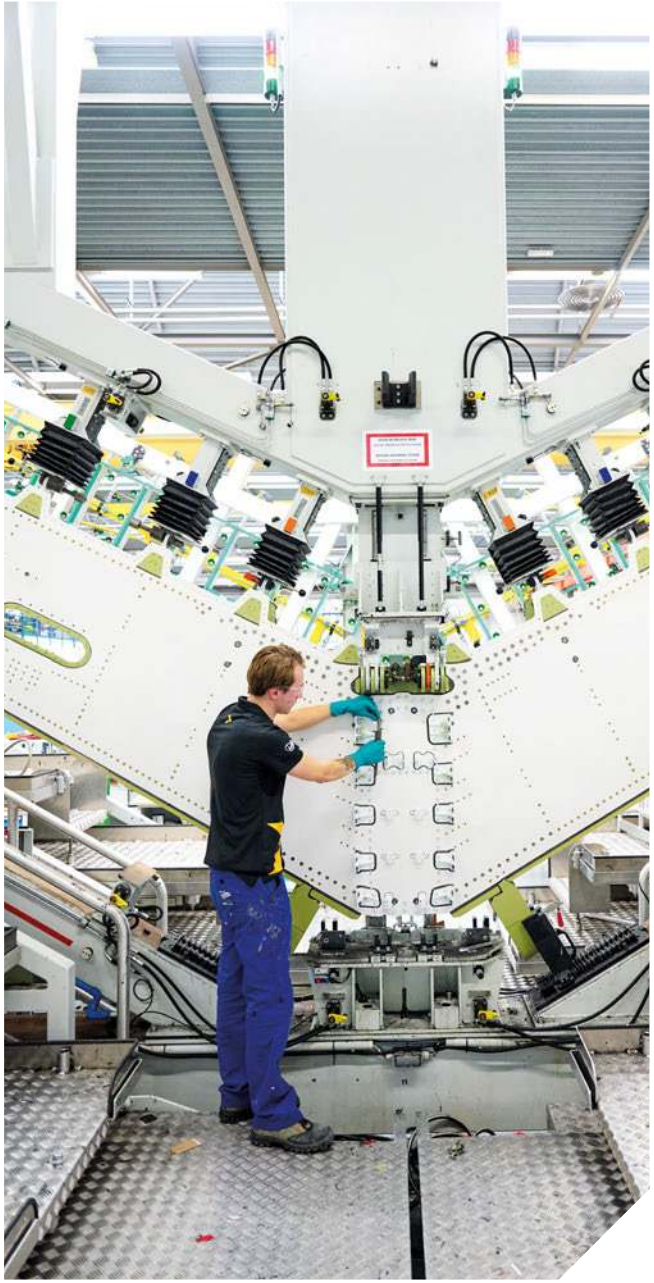
Regular internal and external perimeter defence testing, including penetration testing, is conducted to ensure appropriate threat monitoring systems are in place. Melrose works towards national and international business accreditations in various aspects of cyber management, relevant to its business activities, including the UK's National Cyber Security Strategy ("NCSS") and industry-specific National Institute of Standards and Technology ("NIST") 800-171 controls. In 2024, 100% of operational sites met their specific requirements of the UK Cyber Essentials, NIST 800-171 standard, or similar international standards.

As part of Melrose's overall information security strategy, 12 modules of IT security awareness training were delivered across the business, achieving a 100% completion target.

METRICS

During 2024, no employees were disciplined or dismissed due to non-compliance with the Anti-Bribery and Corruption policy.

There were no political donations made during the year ended 31 December 2024 (2023: £0).



SUSTAINABILITY ACCOUNTING STANDARDS BOARD ("SASB") INDEX FOR 2024

The following tables detail our disclosures made against the SASB Aerospace and Defence sector standards, 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. 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	1,635,292.8 (2023: 1,692,525.6) Gigajoules (GJ)	RT-AE-130a.1
Hazardous waste management	Amount of hazardous waste generated	Please refer to page 56	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 threats 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 Chief Executive Officer and Chief Information Officer 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 to alerts based on the security monitoring tools deployed. 2) n/a	RT-AE-230a.2
Product safety	Number of counterfeit parts detected	0 (2023: 0)	RT-AE-250a.1
	Percentage of counterfeit parts avoided	n/a (2023: n/a)	RT-AE-250a.2
Fuel economy and emissions in use-phase	Revenue from alternative energy related products	£115.0m (2023: £76.5m)	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 research and development ("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
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 pages 53 to 55 of this report 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 70	RT-AE-000.B

ENERGY CONSUMPTION AND CARBON EMISSIONS BY TYPE

Table 1c: Melrose Group GHG emissions by type (CO_2e) for the period 1 January 2024 to 31 December 2024 (tonnes CO_2e[1] unless stated)

	FY2024			FY2023			
	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total	Change (2024/2023)
Scope 1[2]							
CO_2	4,955	16,233	21,188	5,868	19,736	25,604	-15%
CH_4	7	24	31	9	26	35	-11%
N_2O	3	22	25	3	48	51	-51%
Total Scope 1 CO_2e	4,965	16,278	21,245	5,880	19,810	25,691	-17%
Scope 2[3]							
CO_2	9,026	63,750	72,776	9,125	61,638	70,763	+3%
CH_4	10	67	77	10	66	76	+1%
N_2O	15	85	100	16	83	99	+1%
Total Scope 2 (Location-based) CO_2e	9,051	63,902	72,953	9,151	61,787	70,938	+3%

Table 1d: Melrose Group energy consumption by type for the period 1 January 2024 to 31 December 2024 (MWh unless stated)

	FY2024			FY2023			
Energy type	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total	Change (2024/2023)
Natural gas	26,630	76,875	103,505	31,694	86,165	117,859	-12%
LPG	169	515	684	153	533	686	+0%
Diesel	230	4,187	4,417	194	12,394	12,588	-65%
Petrol (gasoline)	22	385	407	20	384	404	+1%
LFO	0	3,707	3,707	0	3,363	3,363	+10%
Total non-renewable fuels consumption	**27,051**	**85,669**	**112,720**	**32,062**	**102,838**	**134,900**	**-16%**
Steam	0	37,490	37,490	0	36,697	36,697	+2%
Total renewable electricity consumption	171	129,572	129,743	8.7	122,340	122,349	+6%
Total non-renewable electricity consumption	51,282	123,012	174,294	51,850	124,349	176,199	-1%
Total electricity consumption	51,453	252,584	304,037	51,859	246,689	298,548	+2%
Total operational energy consumption	**78,504**	**375,744**	**454,248**	**83,922**	**386,224**	**470,146**	**-3%**
Company's chosen intensity measurement: MWh per £1,000 revenue[4]			**0.131**			**0.152**	**-14%**

(1) CO_2e – 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 by the Group's businesses. Scope 2 emissions, and total GHG emissions, are calculated using both the location-based and market-based methods.
(4) 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

Scope 3 category	Applicability to GKN Aerospace	2024 Emissions (tCO_2e)	2024 % of Scope 3	2023 Emissions (tCO_2e)	2023 % of Scope 3	% change 2024/2023
Upstream emissions						
1: Purchased goods and services	Yes	1,122,941	91%	1,109,438	86%	+1%
2: Capital goods	Yes	31,854	3%	107,198	8%	-71%
3: Fuel and energy related activities	Yes	21,151	2%	27,125	2%	-22%
4: Upstream transportation and distribution	Yes	31,279	3%	25,431	2%	+23%
5: Waste generated in operations	Yes	1,364	0%	1,477	0%	-8%
6: Business travel	Yes	11,909	1%	12,551	1%	-5%
7: Employee commuting	Yes	14,166	1%	14,032	1%	+1%
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 (tCO_2e)		**1,234,665**		**1,297,252**		**-5%**

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 2004, ISO 14064-1 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[1] Greenhouse gases covered by the Kyoto Protocol.

REPORTING BOUNDARIES, SCOPE AND BASIS OF PREPARATION

Unless otherwise stated, our sustainability reporting including data covers the entire Group where it has operational control. Data from entities disposed of during the reporting period (i.e. disposed of before 31 December 2024) are not accounted for in this section in respect of the financial year 2024 data, target base years and most recent comparator year. Unless stated otherwise, the data incorporates newly acquired sites once the necessary processes and systems are in place to ensure consistent data collection and consolidation at the Melrose Group level.

In contrast to financial accounting standards, there are currently no industry norms or globally recognised practices for measuring and assessing data of this nature. As these practices continue to develop, we will disclose our methodology and approach to make sure it incorporates suitable estimates and assumptions for our performance data.

Throughout this report the definition of employees includes the following categories of employment: "regular", "temporary", "apprentice", and "intern/co-op", but excludes "agency" workers (contractors).

Following our transition to an aerospace-only business we have chosen to preserve both 'Melrose' and 'GKN Aerospace' brands, given their inherent value and reputation to different stakeholders. The Group continues to operate as one brand for its customers, GKN Aerospace, and one brand for financial markets, Melrose Industries PLC. Internally we continue to have one unified and efficient organisation, with an emphasis on decentralisation that empowers customer-facing leaders and local operating teams.

INTERNAL ESG 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 division level.

(1) The seven greenhouse gases covered by the Kyoto Protocol are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

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