



MODERN SLAVERY STATEMENT

This statement has been published in accordance with the Modern Slavery Act 2015. It sets out the steps taken by Melrose Industries plc and other relevant group companies (the “Group”) during the year ending 31 December 2019 to prevent modern slavery and human trafficking in its businesses and their respective supply chains. We published our third Modern Slavery Statement in June 2019 and over the past year we have continued to review our policies in this area, and to support our businesses in their efforts to reduce potential risks of modern slavery and human rights abuses in their respective businesses.

Melrose maintains high levels of ethical conduct and takes a zero-tolerance approach to any form of modern slavery or human trafficking. We are committed to investing in and working with our businesses to create effective systems and controls to safeguard against any form of modern slavery taking place within them or their respective supply chains.

Our commitment

As set out in our 2019 ESG Report, which can be found on pages 58 to 69 of our 2019 Annual Report (<https://www.melroseplc.net/media/2536/melrose-ar2019.pdf>), Melrose strives to have a good ESG track record, which includes modern slavery and other human rights issues. The Melrose board of directors (the “**Board**”), with direct support from the Melrose senior management team, operates a decentralised stewardship model that equips the Group’s businesses with the management expertise, operational investment, and robust governance practices to implement modern slavery and human trafficking improvements, as enshrined in the Melrose Code of Ethics, compliance policies and procedures. The Melrose senior management team applies close oversight and challenge to continually encourage the adoption of better practices and behaviours within each business whilst owned by Melrose, and advises the Board in reviewing, challenging and approving the Modern Slavery and Human Trafficking Policy and this statement.

Melrose is committed to addressing the potential risks of modern slavery and human rights abuses. We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to investing in the creation of effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group has also taken steps to encourage and support the business divisions to implement effective and proportionate measures to monitor and mitigate any risks of modern slavery within their operations or supply chains.

1. Organisation structure and supply chains

Through its “Buy, Improve, Sell” strategy, Melrose acquires good quality manufacturing businesses that are underperforming their potential, and invests heavily to improve performance and productivity as they become stronger, better businesses under our responsible stewardship.

As further detailed in our 2019 Annual Report, the Group operates on a decentralised basis, and the Board has established an organisational structure with clear reporting procedures, lines of responsibility and delegated authority between it and each of its business units. Under this

decentralised group structure, each division, where applicable, is responsible for publishing its own tailored Modern Slavery Statement in accordance with the requirements under the Modern Slavery Act 2015, and is fully supported by Melrose where needed. This approach ensures that those senior managers closest to the business operations devise appropriate measures with a review to identifying and eradicating slavery from their supply chains. Each business's statement is available from their respective website, and contains detail on the specific steps taken by the businesses during the year to ensure compliance with their obligations in this area, by reference to the requirements of the Modern Slavery Act 2015. This statement is intended to provide a high level overview of the actions taken by Melrose at a group level, and of the oversight and guidance provided by the Board in this area. The Board have determined this approach to be the most appropriate for Melrose and its businesses (and their respective stakeholders), in light of the Group's structure.

A list of our Group companies as at 31 December 2019 by jurisdiction can be found on pages 183 to 189 of our 2019 Annual Report.

2. Policies in relation to slavery and human trafficking

Melrose operates a number of internal group-wide policies to ensure that we and our businesses are conducting business in an ethical and transparent manner. Melrose itself is a very lean, managerial organisation without global supply chains or employees in high risk jurisdictions, reducing the risk of modern slavery and other human rights issues at this level. Even though the Board considers Melrose itself to be low risk, we take these issues very seriously, and fully appreciate that some of our businesses do operate in sectors where there are complex global supply chains and have employees in higher risk jurisdictions, and therefore may have an increased risk of modern slavery and human rights issues.

Melrose has a group-wide policy on the prevention of modern slavery and human trafficking, which the businesses have rolled out to their employees, along with an online compliance training module (see section 6 below). In addition, we work with the legal and compliance teams of each business to ensure that policies covering best practice with respect to other areas including anti-bribery and anti-corruption, anti-money laundering, anti-tax evasion, competition, trade compliance, data privacy, whistleblowing, treasury and financial controls, document retention and joint ventures, are properly implemented. All businesses in the Group are furthermore required to comply with the Melrose Code of Ethics.

3. Due diligence processes

As a key part of the "Improve" limb of the Melrose model, whilst under our ownership, we look to empower and resource our businesses to improve their performance with respect to risks of modern slavery and human rights abuses, to enable them to make better contributions to industry, society and the environment for the long-term.

We recognise that there may be an increased risk of human rights issues in some of the businesses that we buy. In order to address the potential risks, Melrose firstly undertakes appropriate due diligence on businesses it looks to acquire, to ensure that the supply chains are adequately assessed and any material issues are understood prior to acquisition. Post-acquisition, Melrose looks to quickly embed its group-wide internal policies, as described above, which include the Modern Slavery and

Human Trafficking Policy, into each of the businesses it purchases, and works with them on their implementation, including where relevant pushing such policies down into their supply chain.

4. Risk assessment and management

The implementation of all Melrose policies, including the Modern Slavery and Human Trafficking Policy, is supported by risk assessments, audits and reviews, and annual compliance certifications. Management of the risks by each business is driven by the size and complexity of the business and by the nature and geographical representation of its key suppliers. A supplier approval process exists within all business divisions, which is linked to specific and tailored supplier assessments and due diligence requirements utilising third party resources and the implementation of appropriate terms and conditions for the protection of the Group.

Whistleblowing hotlines are operated by the Group and monitored by the businesses' legal and compliance functions, supported by the Melrose senior management team, to empower employees to raise concerns, in confidence, about possible wrongdoing in any aspect of their business, including financial and non-financial matters. The Board actively monitors the nature of issues reported through the whistleblowing hotlines to identify potential areas of risk, and activity across the businesses is reported to the Board annually. Under this guidance, the business unit executive teams identify and rectify any adverse trends relating to material matters raised through the whistleblowing platform. The integrity of this process is an important part of the Company's governance arrangements and is regularly reviewed.

Further details of the Group's stance and focus on ensuring effective stewardship in respect of key environmental, social and governance matters are set out in the 2019 ESG Report.

5. Key performance indicators to measure effectiveness of steps being taken

We continue to monitor and evaluate the effectiveness of the steps that we are taking to ensure that slavery and/or human trafficking is not taking place within our businesses or their respective supply chains by:

- continual monitoring of reports from employees, the public, or law enforcement agencies that may indicate that modern slavery practices or the risk of potential modern slavery practices have been identified;
- the use of grievance mechanisms;
- requiring staff to undertake MSA and whistleblowing training; and
- continuing to roll out our policies to the businesses that we buy.

These performance indicators help us ensure the effectiveness of our efforts to address modern slavery risks across the Group, and are continually reviewed to ensure they remain appropriate.

6. Training on modern slavery and trafficking

Melrose provides wide scale employee training on all its policies, including in relation to modern slavery and human trafficking, as well as providing a confidential whistleblowing hotline, to support its compliance policies.

We prepared specific, tailored training on modern slavery at the time of publishing our first modern slavery statement, and rolled it out across the businesses we owned at that time. The training educates employees on the issues and risks surrounding modern slavery and what to do if they suspect that modern slavery is happening internally or within their supply chain. We continue to train new joiners of existing businesses and employees of new businesses added to the Group through acquisition. For example, since the acquisition of GKN plc in 2018, we have worked with the legal and compliance teams of each division to ensure that training in this area is made available to employees as they determine to be appropriate. We support our businesses in further tailoring training as they feel is most appropriate to their employees and industry, and encourage them to regularly review and update materials to reflect changes in this area.

As an organisation Melrose understands that we must lead by example but that ultimately our businesses' employees are most likely to encounter potential human rights issues. For this reason, as mentioned above, Melrose provides a fully confidential, whistleblowing portal for all employees enabling them to raise any issues they may have or any potential violations they encounter. Melrose ensures that all reports are fully investigated and resolved. Melrose also provides whistleblowing training to employees to ensure that they are aware of the whistleblowing portal and its importance.

Looking ahead

We will continue to support our businesses in reviewing and investing in their business operations and procedures to ensure that risks of modern slavery are considered and provided for. Should any instances of modern slavery be identified, we believe we are well positioned to deal with and address these and to support any affected workers in line with our core values.

Approval for this statement

This statement was approved by the Board of Directors on 24 June 2020 and signed on its behalf by:



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Justin Dowley
Chairman, Melrose Industries plc