

## **Section 172(1) Statement**

This is an overview of how the Directors performed their duty to promote the success of the Company under section 172 of the Companies Act 2006.

The principal activities and background of the Company are outlined in the Business Review.

The Directors must act in accordance with a set of general duties detailed in section 172 of the Companies Act 2006. These general duties include a duty to promote the success of the Company, and specifically to act in a way that the Director considers, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, having regard (amongst other matters) to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with customers, suppliers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between shareholders of the Company.

This statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which require the Company to describe how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006 during the financial year under review. It is noted that the Directors have always acted in accordance with such duties in their decision making and they will continue to do so. In light of the additional disclosure requirements, we have set out below further detail on how the Directors have fulfilled their duties during the course of 2022.

### **(a) The likely consequences of any decision in the long-term**

The Company operates within the wider management structure of GKN Aerospace. The GKN Aerospace Executive Committee is responsible for the strategic management and oversight of the GKN Aerospace business as a whole and for the taking of decisions which are material to the GKN Aerospace business, including the Company, in the short, medium and long-term.

During 2022, the GKN Aerospace Executive Committee and the Company's directors continually reviewed the performance of GKN Aerospace (and within it the Company) against its competitors and the aerospace market generally and continually assessed the likely future development of the aerospace market.

The Directors' primary focus is on the creation of long-term value for its ultimate shareholder, Melrose Industries plc ("Melrose"). Melrose's stated strategy is to invest in and manage its businesses as if it intends to own them forever, whilst acting with integrity, honesty, transparency and decisiveness, and it is this culture and approach which the GKN Aerospace Executive Committee and the Directors of the Company take in all their decision making. For example, all major business decisions are made on the basis of approved business plans, which set out the anticipated financial consequences and benefits of the decision in the long-term.

## Section 172(1) Statement *(continued)*

### **(b) The interests of the Company's employees and how the Company's actions taken during 2022 encourage employee engagement**

The Company employed 3,600 people at 31 December 2022 operating from sites in Bristol, Isle of Wight, Luton, Portsmouth, Solihull and London. GKN Aerospace places the interests of its employees at the heart of its decision making. Reflecting this, the Company continually engages with its employees in order to ensure that their voice is heard. The Company recognises the trade union Unite, with whom it has collective bargaining agreements by establishment/location. Approximately 60% of the Company's employees are members of and are represented by Unite.

Business updates are provided to the Company's elected union representatives twice a year through our UK Information & Consultation Forum, including monthly financial performance, capital investment decisions, new business wins and any key decisions affecting employees. In addition, a number of presentations are delivered to employees throughout the year through local "All Hands" meetings to give all employees updates of key business decisions as well as an overview of operational performance.

GKN Aerospace measures employee engagement through an annual employee engagement survey, the results of which are shared with its Executive Committee and the Company's directors, and are used to inform decision making. The Company's target is to increase employee engagement year-on-year. GKN Aerospace conducts the annual survey to gauge the employee engagement levels within a team, a site, a business line and globally. Employee opinions, on their teams and place of work, will be used locally and globally to help determine any positive or negative themes/common trends and indicate to local and global management where engagement efforts need to focus. These efforts can then take the shape of a number of initiatives/activities to support individual managers or sites in their pursuit of a Great Place to Work for all. The Company's ambition is to become a recognised Gallup World Class Employer by 2025. GKN Aerospace will also run a pulse survey to test employee engagement during the year.

The GKN Aerospace CEO and Executive team host monthly calls with the GKN Aerospace Executive population to update them on the Company's strategic direction and leadership focus. There is an opportunity for questions to be raised and responded to by the Executive team.

GKN Aerospace has HR representatives at each location who are responsible for managing interactions between the employees and management of the business. Whilst the Company does not operate a share incentive scheme, employees are encouraged to be involved in business performance through other reward and incentive initiatives that are managed by the HR function on a local basis. Many employees participate in local bonus schemes, with the payment and level of any bonus linked to profit and cash performance as well as individual objectives and operational performance metrics. The HR function are also managing a talent review process to ensure that GKN Aerospace can support all of its employees to grow, develop and bring their best to the business.

GKN Aerospace operates a confidential whistleblowing hotline where employees can report any concerns anonymously. Feedback from this hotline is investigated and actioned accordingly. Usage and calls are regularly reviewed by the GKN Aerospace Executive Committee to identify any trends and to feed into our enterprise risk management process.

In addition to the above, GKN Aerospace employs a number of measures for providing employees systematically with information on matters of concern to them as employees. All GKN Aerospace employees are updated regularly on day to day business matters either through local "town hall" meetings with site leadership teams, newsletter and intranet sites. Globally GKN Aerospace uses its intranet page to share business updates, challenges facing particular sites or businesses and to share success stories. The GKN Aerospace CEO also produces a regular blog either in video or narrative format to update the employees on where his leadership team are taking the business.

## Section 172(1) Statement (*continued*)

### (c) The need to foster the Company's business relationships with customers, suppliers and others

#### *Customers*

It is critical to the future success of GKN Aerospace that it builds and maintains deep, long-lasting and committed relationships with its customers. GKN Aerospace and the Company work closely with customers across the aerospace sector in order to form strong relationships that encourage a culture of collaboration in order to drive future opportunity and growth in the aerospace market.

One of GKN Aerospace's priorities is operational excellence which places an emphasis on GKN Aerospace's ability to deliver quality products and services to its customers to meet their needs. GKN Aerospace and the Company monitors the "voice of the customer" and maintains key performance indicators that support this and ensure strong quality, cost and delivery performance.

GKN Aerospace has developed a Commercial Excellence model that encourages the development of close relationships with its customers to gain deeper insight into customer and market outlook and to drive an alignment between customer needs and GKN Aerospace's strategy for the future. GKN Aerospace has a single customer-facing team for each major customer. These teams manage programmes and act a single point-of-contact for the customer, no matter the product or system GKN Aerospace supplies, and where it is supplied from. All material decisions taken by GKN Aerospace and by the Company, involve consideration of their impact on relationships with our customers.

#### *Suppliers*

GKN Aerospace has a range of suppliers. Maintaining strong relationships with our suppliers is vital to the future success of GKN Aerospace. We build our relationships with our suppliers on the basis of:

- open dialogue and transparent decision-making;
- setting clear expectations of our suppliers;
- continuous supplier relationship management, through our dedicated Commodity Purchasing Managers;
- regular information exchange through our SOP processes;
- supplier quality reviews and audits; and
- senior management business reviews which enable suppliers to have a greater understanding of GKN Aerospace's future needs and strategy, whilst allowing suppliers to have the confidence to develop new innovations in conjunction with GKN Aerospace.

The Supplier Code of Conduct (the "Supplier Code") sets out the fundamental principles which GKN Aerospace and as such the Company expects of its suppliers. A copy of the Supplier Code can be found on our corporate website (<https://www.gknaerospace.com/globalassets/downloads/aerospace-suppliers-portal/gkn-aerospace-supplier-code-of-conduct.pdf/>).

#### *Other Stakeholders*

In addition to the stakeholders considered elsewhere in this statement, the Directors also have regard to the impact of their decisions on other stakeholders including government and regulators, third parties with whom the Company deals and potential future employees and students. The relationship with all major stakeholders is considered as part of each potential decision.

### (d) The impact of the Company's operations on the community and the environment

GKN Aerospace's corporate social responsibility strategy includes consideration of: (i) social issues (including regulatory compliance, ethical procurement and equality and inclusion); (ii) environmental issues (including the reduction of carbon emissions, improved manufacturing processes, and product lifecycle management) and (iii) workplace and community issues (including health and safety, community volunteering, fundraising activities and sponsorship).

## Section 172(1) Statement (*continued*)

### (d) The impact of the Company's operations on the community and the environment (*continued*)

At GKN Aerospace our mission is to become the most trusted and sustainable partner in the sky and our goal is to become a net zero CO<sub>2</sub> emissions organisation by 2050. We strive to promote a positive impact on our world and always seek to minimise our impact on the environment and conserve essential resources. We do this by continuously improving our facilities' environmental and energy performance by implementing and maintaining ISO 14001 & 50001 certifications. We drive our efforts through a centrally coordinated sustainability strategy with laser-focused attention on our operations' environmental impact and greenhouse gas footprint.

GKN Aerospace's ground-breaking development in liquid hydrogen technology, the £54 million collaborative H2GEAR programme focuses on technology to accelerate aerospace decarbonisation, with the goal of zero CO<sub>2</sub> emissions hydrogen-powered subregional aircraft entering the skies as early as the late 2020s. The programme is expected to create more than 3,100 jobs across the UK and will reinforce the UK's position at the forefront of aerospace technology research and development.

In addition, the Company's Global Technology Centre ("GTC") in Bristol, UK played a key role in several landmarks in electric flight in 2022. Both Vertical VX4 and Eviation's ALICE aircraft celebrated their first flights in 2022, marking the dawn of a new era of zero-emission flight. GKN Aerospace developed and delivered the electric wiring interconnection system (EWIS) for the VX4, as well as assembling the aircraft at the GTC. GKN Aerospace also designed and developed the fully integrated wings, electrical wiring system and empennage for ALICE.

### (e) The desirability of the Company maintaining a reputation for high standards of business conduct

GKN Aerospace has a code of conduct known as the GKN Aerospace Code of Ethics. The Code of Ethics is a key part of the GKN Aerospace ethics and compliance program, and forms a central component of the Company's culture. Additionally, the Code of Ethics sets out the standards of conduct expected of the Company and its employees. Together with GKN Aerospace's Culture Principles, we summarise this in our way of working, "A Great Place to Work", which involves everyone in the Company having a personal responsibility to treat people with care, respect and dignity. This also includes the responsibility to speak up via the various Company speak up channels, which are available to employees in instances where they believe conduct is wrong and/or falls short of the standards which the Company expects.

We also cascade our ethical standards to our suppliers through our Supplier Code of Conduct, which sets out the minimum ethical standards we expect from our suppliers. The Supplier Code of Conduct forms part of our terms and conditions with our suppliers, and requires them to maintain high ethical standards including, amongst other things refraining from engaging in any bribery and corruption (including the facilitation of tax evasion), a prohibition in engaging in forced, child or bonded labour; and complying with health and safety laws. Our suppliers are required to meet the laws regulations of the countries in which they operate and are encouraged to report instances of conduct they believe is wrong and/or falls short of the standards which the Company expects through the reporting hotline we provide.

The Company ensures that the GKN Aerospace requirements are met by way of on-going Company communications including training, governance processes and specialist review, advice and assurance provided by the teams which form the three lines of defence to risk management model implemented by the Company.

### (f) The need to act fairly as between members of the Company

The Company has only one member, Westland Group plc, which is 100% indirectly owned by Melrose Industries plc. During the year there was therefore no actual or potential conflict between the interests of any members of the Company.

END