

## Briefing note: Melrose meeting its commitments

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*Melrose keeps its promises and gives all its businesses a better future.*

*Melrose is a successful British business We buy good but underperforming manufacturing businesses, improving them and selling them to owners who give them a sustainable future. And while we only hold our businesses for a few years, we always behave as though we would own them forever. We are meeting the commitments made at the time we acquired the GKN businesses – both to the letter, and in the spirit they were made.*

### **Legally binding Post Offer Undertakings**

When we acquired the GKN businesses, we gave the following post offer undertakings to the Takeover Panel:

1. For a period of five years from acquisition (i.e. to 2023):
  - a. Melrose will remain headquartered in the UK
  - b. Melrose will remain listed in the UK
  - c. The Melrose Board will have a majority of UK resident directors
  - d. GKN Aerospace and GKN Driveline businesses will retain the same rights to the GKN trademarks
2. For the period from 1 January 2019 to 31 December 2023, the R&D spend for the GKN businesses will be at least 2.2% of sales, with any shortfall been caught up by 30 June 2024
3. If Melrose implements a reorganisation that results in it no longer being the parent company of the Melrose Group, the new listed parent of the Melrose Group will commit to these same undertakings

We are in full compliance with these undertakings. This is independently verified every six months by third party advisers, RSM Corporate Finance LLP, who provide a report to the Takeover Panel confirming our continued compliance. We announce our full compliance every year to the market via RNS and publish this information on our website.

There were no undertakings in relation to jobs, employment, or sites of any GKN business.

### **Broader commitments**

- We committed to BEIS in a deed that we would not sell the GKN Aerospace business for a period of five years (i.e. to 2023). There are exceptions to this, including non-core businesses or a listing, but if we want to sell GKN Aerospace within this period, it will require BEIS approval. We are in full compliance with this commitment.
- We committed to MoD in a deed that we would adhere to the highest level of undertakings a foreign bidder had given under the Enterprise Act 2001 for a relevantly sensitive UK asset at the time of the acquisition. These are the subject of a confidential deed with the MOD. You may wish to request it from the MOD (we would be happy to consent), but the disclosure of the deed is entirely at their discretion.
- We committed to a substantially enhanced contribution plan of up to £1billion to repair GKN's significant pensions deficit. We have fully delivered on our commitments to pension scheme members.

### **Further ambitions**

At the time of making the commitments to the Takeover Panel, BEIS and MOD, we wrote to the then Secretary of State for BEIS, outlining further statements that were not commitments, but reflected our ambitions and intentions for the GKN businesses. We discuss these statements with the representatives of BEIS during our regular six monthly discussions. They included:

- Transforming GKN Aerospace and GKN automotive to enable them to compete on the world stage
- Investing in innovation across the GKN businesses
- Investing £10million in a skills and productivity fund
- Continuing to support the supply chain across the GKN businesses

## **Giving our businesses a better future**

Just a few highlights for the GKN businesses in the UK under our ownership include:

### *GKN Automotive*

- We continue to support investments in GKN Automotive's Abingdon site - transforming it to become a Global Innovation Centre which will be important to ensuring GKN Automotive plays a central role in the electric vehicle revolution, and makes a full contribution to the decarbonisation to the global automotive sector.
- At the same time, we are providing funding for critical programmes in the UK's industrial network including the establishment of the Advanced Research Centre, a joint initiative with the University of Newcastle and University of Nottingham that will help put the UK at the forefront of clean emissions technology.

### *GKN Aerospace*

- We continue to provide the vital funding and support needed to enable GKN Aerospace to develop the technologies which will put the UK at the heart of the future of aviation and sustainable travel.
- Its world leading Global Technology Centre in Filton is due to become fully operational this year and will be a hub for future technologies like the Eviation Alice, a zero emissions regional aircraft in which GKN Aerospace is taking a leading role.
- The recent announcement of Government support for H2GEAR, a ground-breaking hydrogen propulsion system for an emission free aircraft being developed by GKN Aerospace, was made possible because of the changes and investment enabled by our ownership.
- The H2GEAR programme is only the latest in GKN Aerospace's strong technology roadmap, a significant proportion of which is being developed here in the UK.
- GKN Aerospace is critical partner in the Wing of Tomorrow programme. And, in collaboration with the National Composite Centre, this work is well progressed.
- Additive manufacturing breakthroughs are enabling their customers to produce lighter, more efficient and lower emission engines.
- At the same time, we are funding the transformation of production sites in Portsmouth and Luton to become Global Centres of Excellence in their respective fields.
- We have also invested heavily in improvements on the shop floor, establishing Global Centres of Excellence in Luton and Portsmouth and other improvements in Cowes and Western Approach.

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