

SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR GKN DRIVELINE BIRMINGHAM LIMITED (the “COMPANY”) FOR THE YEAR ENDED 31 DECEMBER 2017

This Slavery and Human Trafficking Statement, made pursuant to section 54 of the Modern Slavery Act 2015, summarises the steps which the Company has taken as a business to address the risk of slavery and human trafficking (“modern slavery”) in its operations and supply chains.

The Company

The Company is an automotive component supplier, with manufacturing operations in Erdington in the West Midlands, UK. It manufactures a range of driveshafts, propshafts and similar automotive components for use in light vehicles manufactured by major motor vehicle manufacturers.

The Company is part of GKN Driveline, which is a global business which develops, builds and supplies an extensive range of automotive driveline products and systems for use in a variety of vehicles. During the year ending 31 December 2017 the Company was also an indirect wholly-owned subsidiary of GKN plc and accordingly adopted and complied with the GKN plc group policies then in place. The Company is now an indirect wholly owned subsidiary of Melrose Industries PLC (“Melrose”) and will accordingly comply with Melrose’s policies during 2018.

The Company does not have any manufacturing operations outside of the United Kingdom. For the year ended 31 December 2016 the Company had revenues of £195,590,000.

SLAVERY & HUMAN TRAFFICKING WITHIN THE COMPANY’S OWN ORGANISATION

Policies

Set out below are the policies that applied to the Company’s business during 2017.

GKN Code

During the year the GKN Code applied to the Company. One of the key principles of the Code is a respect for others. The Code requires employees to treat people justly and strictly prohibits the use of child or forced labour in the Company’s operations or supply chains. All new employees were provided with a copy of the Code and were asked to read it as part of their induction process. The Code was also available to the Company’s personnel via an intranet site.

Policies

The GKN Code was supported by a number of policies that set out minimum standards to be incorporated into the Company’s risk management and internal control systems. The most relevant of these was the Employment Policy which required the Company to treat employees with respect and prohibited the use of child or forced labour in the Company’s operations. Specific elements of the policy pertinent to addressing the risk of modern slavery included the requirements for the Company to comply with prevailing employment laws and regulations; and conduct pre-employment checks including references and the right to work.

During 2017 a ‘Keeping us on Track’ Handbook, which contained relevant corporate policies, was reviewed, re-issued and made available on the Company’s intranet to provide employees with easy access to all of the Company’s governance requirements, policies and procedures.

Assurance processes

During 2017 senior managers of the Company were required to complete an assurance process in relation to their awareness of the behaviours expected under the GKN Code and policies. They were also required to complete an Internal Control Checklist (ICC) to confirm that non-financial controls were in place and were operating effectively.

Processes particularly relevant to addressing the risk of modern slavery in 2017 included:

Human Resources Controls Checklist (HRCC)

The HRCC was used to monitor compliance with the Employment Policy and HR standards and procedures. The checklist was completed and all non-compliances were reviewed for 2017. There was no indication that modern slavery was taking place in the Company's businesses.

Positive Climate Index (PCI)

PCI sessions were held monthly by the Company. In these sessions the Company's employees anonymously answered questions about their experiences of working for the Company, including questions relating to the GKN Code and values. PCI performance helped monitor the ethical climate within the Company.

Speaking Up

If Company personnel identify any behaviour inconsistent with the GKN Code, including any signs of modern slavery or other human rights abuses, they were encouraged to report this to management directly or through the external employee disclosure hotline. Throughout the year the Company received no reports or concerns regarding modern slavery in its operations.

Risk of slavery and human trafficking in the Company's business

We have considered the risk of modern slavery taking place in the Company's business during the year. Taking into account that the Company only operates in the UK and the low prevalence of forced labour in the UK¹, the roles being performed (and the skills and qualifications needed to perform those roles) by the Company's employers and contractors, the Company's recruitment processes, the output from the HRCC conducted at the end of 2017, the output from the monthly PCI sessions conducted during 2017 and the absence of reports of concerns or incidents regarding forced labour, the risk of modern slavery occurring within the Company's direct employee and contractor population was considered to be negligible.

SLAVERY AND HUMAN TRAFFICKING WITHIN THE COMPANY'S SUPPLY CHAIN

Respecting human rights in the supply chain is ultimately the Company's suppliers' responsibility. As a customer, however, the Company played an active role in supplier development and adopted various means to clearly communicate its expectations to its suppliers and monitor their compliance with them. The Company expected its suppliers, their employees and their supply chains to operate in a way that supported its commitment to strong ethical standards.

Policies

Policies affecting the Company's suppliers during 2017 are described below.

Supplier Policy

The Company's Supply Chain Management Policy set out the standards expected of its suppliers. The policy is clear: The Company will not engage with suppliers that infringe internationally accepted standards for workers' rights, used child or forced labour, or failed to comply with relevant laws and regulations.

To ensure that the Company's suppliers conducted themselves in a manner that supported its commitment to strong ethical standards, the policy required the Company to conduct a risk assessment of any new supplier and avoid dealing with those that might damage the Company's reputation, including those that infringe internationally accepted standards for workers' rights or use forced or child labour.

Supplier Code of Conduct

The Company's Supplier Code of Conduct sets out the minimum standards expected from all the Company's suppliers. The Code prohibits the use of child or forced labour and requires compliance with applicable laws and regulations and internally accepted standards of workers' rights. It also contains explicit requirements to cascade the Company's expectations down the supply chain and a right for the Company to visit supplier locations to ensure compliance with the Company's requirements.

During the year, the Company rolled out standard supplier terms and conditions that mandated compliance with the Supplier Code of Conduct.

Site Visits

Many of the Company's supplier's facilities were visited by procurement personnel from the Company and from the wider GKN Driveline business. While the visits in 2017 did not include a formal audit of the requirements of the Company's Supplier Code of Conduct, they provided visual oversight of the Company's suppliers' employees and their work environments, providing assurance that the Company's direct suppliers respected human rights and did not use child or forced labour.

Risk of slavery and human trafficking in the Company's supply chain

We have considered the risk of modern slavery taking place in the Company's supply chain during the year. Taking into account the identity and nature of the Company's suppliers, the countries in which they operate, the risk assessments and diligence undertaken on them and the absence of reports of concerns or incidents regarding forced labour, the risk of modern slavery occurring within the Company's supply chain was considered to be low.

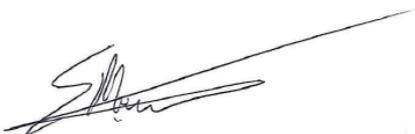
OUR EFFECTIVENESS IN COMBATING MODERN SLAVERY

The Company has considered the KPIs that are used within its business and do not consider any of these to create an environment that may increase its vulnerability to modern slavery in our business or supply chains. Although the Company does not have any KPIs that specifically address modern slavery, the following mechanisms through which modern slavery concerns may be reported were reviewed:

- > The number and nature of employee hotline disclosures
- > The number and nature of major and minor non compliances reported through the HRCC and ICC.
- > The number and nature of incidents reported through our internal incident reporting mechanisms.

There were no outcomes from our reviews that indicate any modern slavery occurring within the Company's business or its supply chain.

This statement applies to the financial year ending 31 December 2017. It has been approved by the Board and signed by a director on its behalf.



Simon Meadows
Director

- 1 Based on the Global Slavery Index 2016 published by the Walk Free Foundation.
- 2 Based on the List of Goods produced by Child Labor or Forced Labor, September 2016, published by the US Department of Labor
- 3 High risk for the purpose of the supplier screening tool is determined based on spending thresholds, location of supplier and the nature of the transaction.