

Section 172(1) Statement for GKN Driveline Mexico (UK) Limited (the “Company”) for the year ended 31 December 2019

This statement is made pursuant to sections 414CZA and 426B of The Companies (Miscellaneous Reporting) Regulations 2018, and summarises how the directors of the Company have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties during the year ended 31 December 2019 (the “**Financial Year**”). This statement also contains the information required by paragraphs 11B and 11C, Part 4, Schedule 7, Large and Medium-sized Companies Regulations 2008 (which requires the directors to summarise how the Company’s actions taken during the Financial Year have encouraged engagement with suppliers, customers and others in a business relationship with the Company).

Background & Purpose of the Company

The Company is part of the wider GKN Automotive business, a global tier 1 supplier to the automotive industry. GKN Automotive manufactures and supplies conventional and electrified drivetrain components for the world’s leading vehicle manufacturers. GKN Automotive employs approximately 24,000 people and operates from 20 countries. GKN Automotive is owned by Melrose Industries Plc (“**Melrose**”), an investor in manufacturing businesses, which is headquartered in the UK. The board of directors of the Company is made of two members of the GKN Automotive Executive Committee, three other senior GKN Automotive employees, four directors appointed by Melrose.

For the majority of the financial year, the Company carried on GKN Automotive’s business in Mexico, although the Company ceased to do so with effect from 15 December 2019, when those activities were transferred to another GKN Automotive company. The Company did not itself manufacture any products or have any employees, as these operational responsibilities were performed by GKN Automotive companies incorporated in Mexico, under a *Maquiladora* structure.

How the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires that the directors act in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to (a) the likely consequences of any decision in the long term, (b) the interests of the company’s employees, (c) the need to foster the company’s business relationships with suppliers, customers and others, (d) the impact of the company’s operations on the community and the environment, (e) the desirability of the company maintaining a reputation for high standards of business conduct, and (f) the need to act fairly as between members of the company. This statement considers the matter set out in section 172(1)(a) to (f) in turn.

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

The Company operates within the wider management structure of the GKN Automotive business. The GKN Automotive Executive Committee is responsible for the strategic management and oversight of the GKN Automotive business as a whole and for the taking of decisions which are material to the GKN Automotive business in the short, medium and long term. During 2019, the GKN Automotive Executive Committee and the Company’s directors: (a) continually reviewed the performance of the GKN Automotive business against its competitors and the automotive market generally; (b) continually assessed the likely future development of the automotive market, including in particular the impact of electrification and technological disruption; (c) prepared and agreed a 5 year business plan for the GKN Automotive business; and (d) approved a number of significant strategic investments to ensure that the GKN Automotive business remains competitive in the future.

The directors’ primary focus is on the creation of long term value for its ultimate shareholder, 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 Automotive 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.

(b) The interests of the company's employees

During 2019 the company did not have any employees.

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

Customers

GKN Automotive's customers comprise 90% of the world's vehicle manufacturers and over 50% of new cars feature GKN Automotive systems and solutions.

With such a small concentration of large customers, it is critical to the future success of GKN Automotive that we build and maintain deep, long-lasting and committed relationships with our customers, and maintain a high degree of customer intimacy. We do this through our dedicated customer account teams, which interface with our customers on a daily basis and are responsible for day to day management.

In addition, directors of the Company including the Chief Commercial Officer for GKN Automotive, regularly meet with GKN Automotive's customers in order to discuss future strategy, commercial opportunities, investment and technology trends.

All material decisions taken by GKN Automotive and by the Company, involve consideration of their impact on relationships with our customers. GKN Automotive's Chief Commercial Officer, who is a director of the Company, is responsible for all customer relationships globally and regularly reports to the GKN Automotive Executive Committee and to the board on the status of day-to-day relationships with customers and the impact of decision making on customer relationships. Customer scorecards, which set out our customers' assessment of our performance, are also regularly reviewed and reported on.

Suppliers

GKN Automotive has a diverse range of indirect suppliers of both direct and indirect goods and services. Maintaining strong relationships with our suppliers is vital to the future success of GKN Automotive. We build our relationships with our suppliers based on: (a) open dialogue and transparent decision-making; (b) setting clear expectations of our suppliers; (c) continuous supplier relationship management, through our dedicated Commodity Purchasing Managers; (d) regular information exchange through our SOP processes; and (e) supplier quality reviews and audits.

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.

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

Corporate social responsibility is a key strategic focus for GKN Automotive. Our focus derives from the fact that not only is it the right thing to do, but also because it is increasingly a consideration for GKN Automotive's customers when they are awarding business. Both our customer scorecards, and our customer sourcing decisions, increasingly include environmental and social considerations in their assessment. That continues to inform decision making throughout GKN Automotive and within the Company.

GKN Automotive'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 & safety, community volunteering, fundraising activities and sponsorship).

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

GKN Automotive's reputation as an honest and ethical supplier is crucial to our future success. Our customers' policies require that they only source from suppliers which have the highest ethical standards, and failing to meet those standards could severely damage our business. The directors therefore continually have regard to this in their decision making. Specifically, it informs decisions as to how we manage and train our employees, whether to enter into new markets, deal with customers or suppliers, or employ (or retain the employment of) certain individuals.

GKN Automotive has a code of conduct known as the GKN Automotive Code. The code is a key part of GKN Automotive's compliance and governance arrangements and sets out the standards of behaviour expected of the Company and its employees. We summarise this behaviour as 'Doing the Right Thing', which includes treating people with dignity, respecting the rights of others, speaking up when we see behaviour which is wrong, and promoting honest and proper conduct. We also cascade our ethical standards to our suppliers, via our Supplier Code of Conduct, which sets out the minimum ethical standards expected from all GKN Automotive suppliers. The Supplier Code of Conduct forms part of our terms and conditions with our suppliers and requires that they maintain high ethical standards, refrain from engaging in any bribery and corruption, engaging in forced or bonded labour, comply with health and safety laws and all laws and regulations in the countries in which they operate.

GKN Automotive engages external audit firms to monitor and verify both financial and non-financial performance and controls. This includes a range of audits, including health and safety audits, to which the Company is subject.

During the year GKN Automotive also invested new online training packages covering Competition Law Compliance and Anti-Bribery & Corruption, to maintain the high standards of employee training in these areas.

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

The Company has only one member, GKN Automotive Limited, which is indirectly 100% 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.