



GKN Automotive Sustainability Report 2022

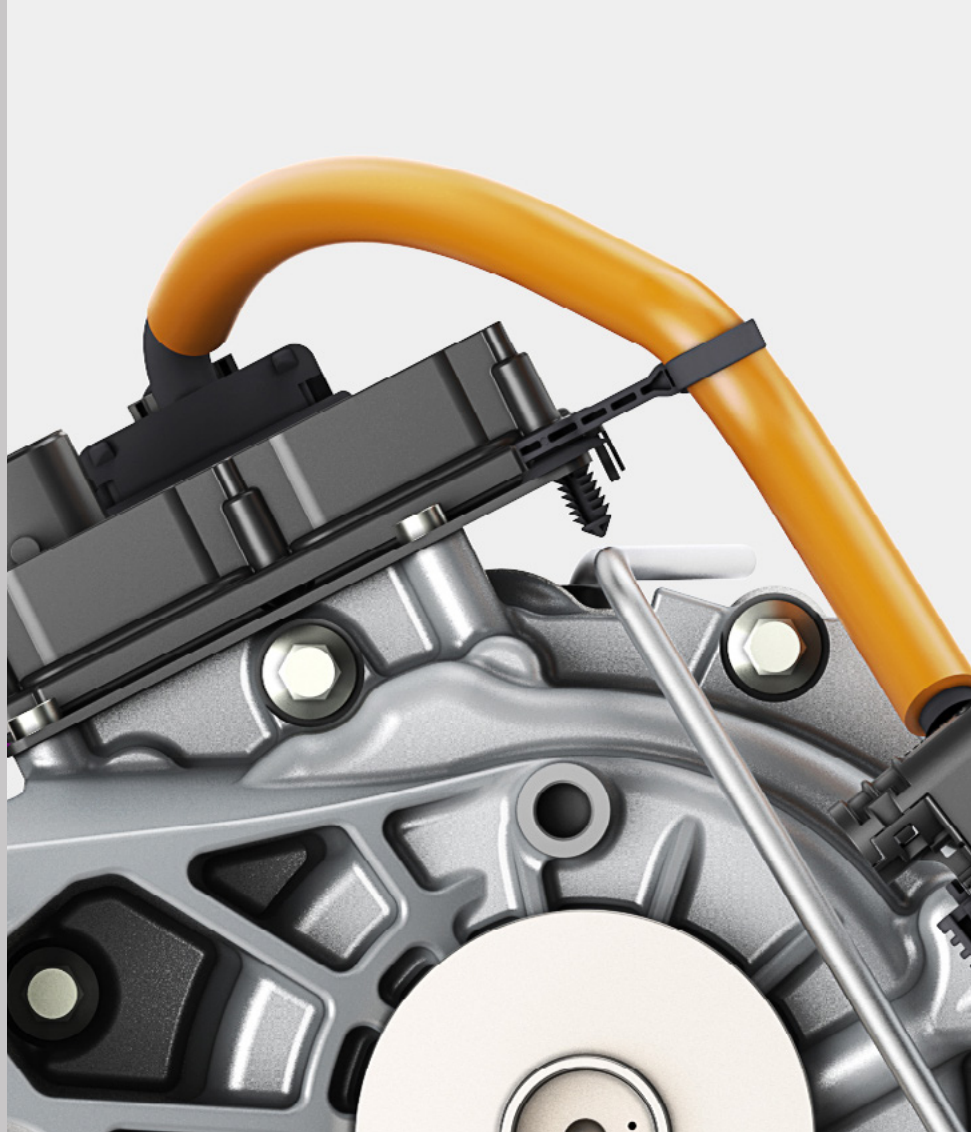
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Welcome from our CEO

MARKUS BANNERT



GKN Automotive’s purpose is to drive a cleaner, more sustainable world. Sustainability is at the heart of our business strategy and our corporate purpose. It runs through the sourcing decisions we make, the environment we create for our people, the way we engineer our products and manage our manufacturing operations, and our work to support our local communities. I am proud that we are publishing our first standalone Sustainability report, which outlines our progress against our sustainability strategy and our targets.

We have a long history of embedding sustainability into every aspect of our company, and we are committed to operating ethically and responsibly to protect and enhance the long-term sustainability of our people, business and the industry.

As a trusted partner to over 90% of global car manufacturers and with technology on approximately 50% of vehicles worldwide, GKN Automotive is a world leader in drive systems. We are the market leader in sideshafts for battery electric vehicles (EVs) with content on 9 out of 10 top-selling addressable electric vehicle models outside of China. GKN Automotive has over 20 years of eDrive system experience, and our eDrive technologies have powered more than two million vehicles to date. As this demonstrates, enabling the transition to electric vehicles is at the heart of our business strategy.

In 2021, we brought together work from every area of the business into one overarching sustainability strategy, owned by the Executive Team, led by talented individuals and delivered by many teams across the organisation. This report lays out that strategy and our progress over the past year.

- Addressing climate change is the greatest challenge for our generation. In 2022, we established our baseline, identified priority actions and set clear targets for reducing our scope 1, 2 and 3 carbon footprint. We are committed to achieving net zero by 2045 and have submitted near-term targets to the Science Based Targets initiative (SBTi) for validation in 2023.
- In an industry that is still male dominated, we are committed to improving the gender balance of our leadership and the wider organisation. Our intention is to achieve 33% female membership of the Executive Team by 2030, and we will do this through a systematic approach to attracting, developing and retaining talented individuals in every area of the business, as well as ensuring we have robust succession pipelines in place .
- We have strengthened our approach to assessing and engaging our suppliers on all aspects of our sustainability strategy, bringing in new tools and policies for responsible sourcing. I’m looking forward to working closely with our strategic supply partners in 2023 to continue to increase our joint focus on the risks and opportunities ahead.

I’m proud of the work underway, and I’m absolutely clear we have more to learn and much more to do. We will continue to work in partnership with all of our stakeholders, our employees, our communities, our customers, our suppliers and our new shareholder Dowlais Group plc to ensure GKN Automotive continues to be a world-leading, sustainable business that responsibly and ethically drives a cleaner, more sustainable world.

About GKN Automotive

INTRODUCTION

GKN Automotive is an engineering powerhouse at the forefront of innovation and the mass production of advanced, efficient systems for electrified vehicles.

We have been inventing the future for over 250 years. Our technologies and innovations made front-wheel drive cars possible and all-wheel drive systems more efficient. Today GKN Automotive is the global leader in drive systems.

We're the trusted partner for most global automotive manufacturers. Our innovation, expertise and global footprint give us the ability to deliver advanced drive system technologies for any vehicle, competitively and at scale.

AT A GLANCE

#1

global drive system supplier

90%

of global manufacturers choose GKN Automotive

£4.2bn

2022 adjusted revenue

47

manufacturing locations*

25,000

employees*

* including SDS joint venture

AWARD AND ACCOLADE EXAMPLES 2021–2022

ecovadis

EcoVadis:

Bronze Medal –
GKN Automotive



Tata Motors India:

Certificate for
Quality Recognition –
GKN Automotive Pune



General Motors:

Supplier Quality
Excellence Award –
GKN Automotive Brazil

LUCID

Lucid:

Outstanding Supplier



Toyota Motor Europe:

Certificate of Recognition
in VA, including GKN
Automotive's Chinese joint
venture, Shanghai GKN
HUAYU Driveline Systems
(SDS)



SKODA

Skoda Motorsport:

Top Quality Supplier
for Skoda Motorsport

Our approach to sustainability

INTRODUCTION

Since joining GKN Automotive in January 2020, I have been privileged to lead our approach to sustainability, an approach that builds on the dedication of many people over many years.

The automotive industry plays an essential role in decarbonising the road transport sector and enabling the global transition to net zero through replacing vehicles that run on fossil fuels with battery-powered electric vehicles. Our role in GKN Automotive is to manage that transition and, in doing so, drive a cleaner, more sustainable world.

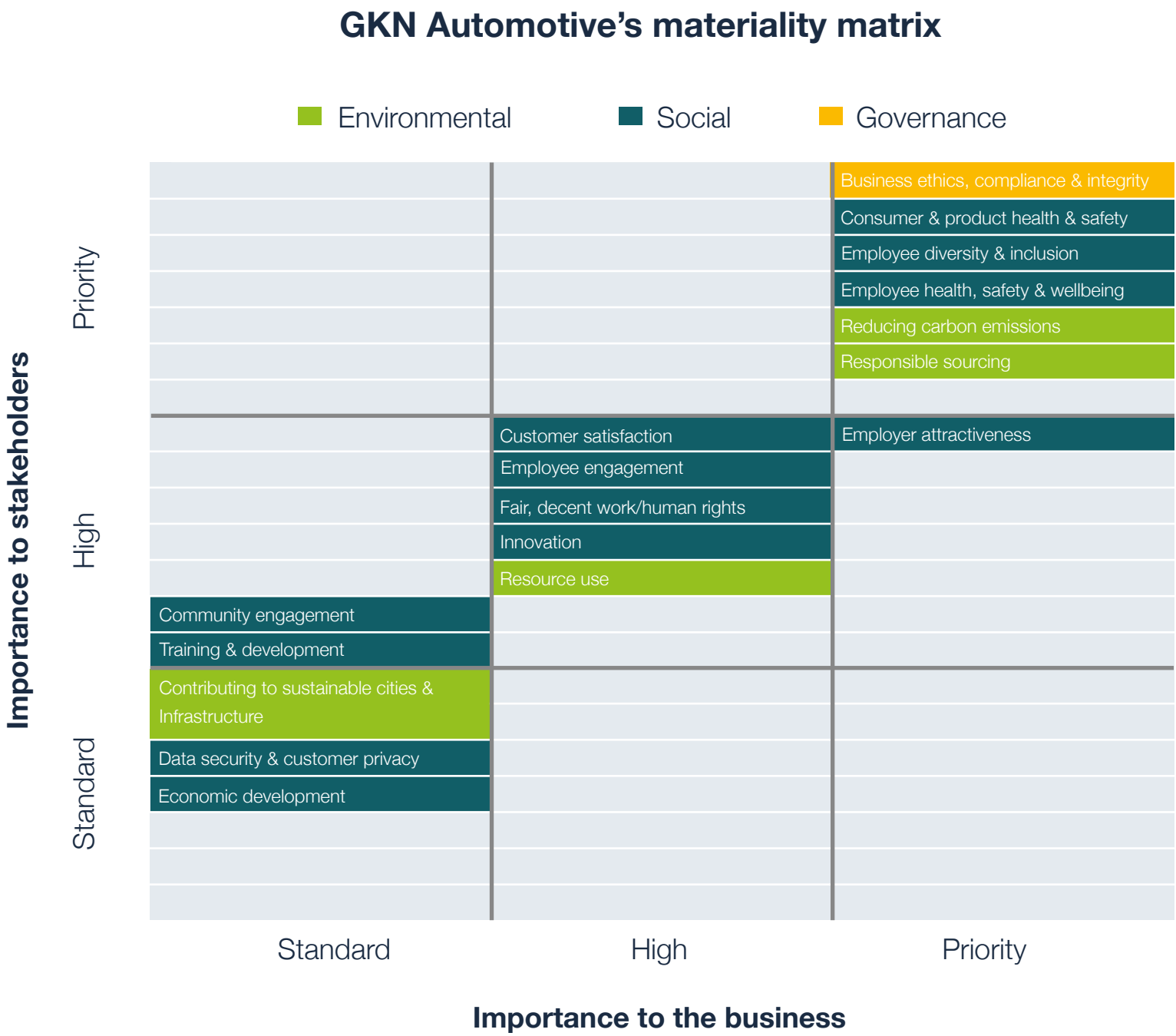
I am proud of the work that we have done over the last year to develop and embed an overarching sustainability strategy. Our strategy is focused on four key pillars that shape our work with our people, the environment, our suppliers, our customers and the many communities in which we operate. All are built on our core foundations of ethics, compliance, safety and security. This, our first Sustainability Report, outlines that strategy, and marks our commitment to reporting progress against it.



Dr Clare Wyatt
Chief Communications and Sustainability Officer

MATERIALITY ASSESSMENT

At GKN Automotive, our corporate purpose is to drive a cleaner, more sustainable world. In 2021 we created a sustainability strategy to provide a new framework for the company to coordinate our existing sustainability activities. To inform this, we engaged with our key stakeholders, undertaking a double materiality assessment in accordance with best practice principles to ensure that we address our highest priority impacts.



Note: Topics listed in each section above are arranged alphabetically.

OUR STRATEGY

Each element of our strategy has a clear intent and measurable targets. It is aligned to the UN Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) Auto Parts standards.

With a strong foundation of ethics, compliance, safety and security in place, we have four areas of focus that shape our work with our people, the environment, customers and suppliers, and the communities in which we operate.



Driving a cleaner, more sustainable world



2022 PERFORMANCE

As we approach one year since developing our strategy, we are proud to report on our first full year of performance against our KPIs and targets. We remain committed to meeting all of our targets.

Pillar	KPI	Target	2022 performance
Our People	% of female members on the Executive Team.	33% female membership of the Executive Team by 2030.	9%
	Accident Frequency Rate (AFR).	Maintain an AFR of <0.1%.	0.1%
	% of eligible, permanent employees receiving annual performance reviews. ¹	100% of eligible, permanent employees to receive annual performance reviews by 2024. ¹	98% of eligible employees. ¹
Climate Action	Net zero transition plan.	Net zero transition plan with certified science-based targets in place by 2023.	Commitment to Science Based Targets initiative made and targets agreed (submitted in Q1 2023).
	% of renewable electricity consumed.	50% of electricity consumed to be certified renewable by 2025.	7%
	% of waste diverted from landfill.	100% of waste to be diverted from landfill by 2030.	99%
Responsible Sourcing	% of strategic suppliers with sustainability roadmaps and targets.	Top 80% of strategic suppliers to provide sustainability roadmaps and targets by 2023.	Suppliers engaged, and roadmaps and targets to be submitted in 2023.
	Number of substances classified as ‘conflict minerals’ knowingly sourced.	Zero substances classified as ‘conflict minerals’ knowingly sourced.	Zero
Our Impact	Locations with charity partnerships aligned with our values and services.	All locations to have established charity partnerships aligned with our values and services by 2025.	41 out of 49 locations (84%) had charitable partnerships in 2022.
	% of total research and development (R&D) expenditure per annum contributing to the decarbonisation of the automotive sector.	50% of total R&D expenditure per annum to contribute to the decarbonisation of the automotive sector by 2025.	86%
	% of new products that contribute to the decarbonisation of the automotive sector.	50% of new products to contribute to the decarbonisation of the automotive sector by 2025.	35%

¹ Eligible employees are those employees who are full-time and meet a particular set of criteria based on local employment laws and our own internal processes.



SUSTAINABILITY GOVERNANCE OVERVIEW

Our Sustainability Steering Committee, chaired by our Chief Communications and Sustainability Officer, met monthly to oversee delivery. The Executive Team met quarterly to review progress, while a full set of performance data was reported quarterly to our shareholder.

As one of our key strategic priorities, delivery of our sustainability strategy is embedded in a management scorecard which forms the basis for objective setting at every level of the organisation.

In 2022, we utilised our core transformation framework, Full Potential, to drive progress on our strategy. Each pillar is led by a talented individual in the business and sponsored by at least one member of the Executive Team.

STAKEHOLDER ENGAGEMENT

We prioritise stakeholder engagement to ensure we remain aligned to our material impacts and the needs of all of our stakeholder groups.

Our key stakeholder groups and how we integrated sustainability into our engagement during 2022 is outlined in this table.

Key stakeholder group	Examples of stakeholder engagement in 2022
Employees	<ul style="list-style-type: none">• We hold regular, monthly townhalls with our senior leadership to keep them updated on business strategy and other organisational changes.• Our annual engagement survey helps us to understand employee views which inform our people strategy and culture initiatives.
Customers	<ul style="list-style-type: none">• Our customer account teams and engineers are in regular contact with our customers to ensure we are meeting their requirements.• We also hold bespoke customer events and tech days where we showcase our products, providing an opportunity for our engineers and account teams to meet face to face with our customers. During 2022, we held nine events in Europe, Asia and the US.
Suppliers	<ul style="list-style-type: none">• We consistently engage with suppliers in the day-to-day operations in our business.• We held our annual Supplier Conference in October. This virtual event gave our suppliers an insight into our sustainability strategy and what it will mean for them.• This year we engaged with NQC, a well-known service provider within the automotive sector, to begin development on a supplier assessment tool. In 2023, we will commence assessing our suppliers on their performance in several key areas.
Local communities	<ul style="list-style-type: none">• We continued to support our local communities in the areas in which we operate, both through charitable donations and employee volunteering.
Governments and local authorities	<ul style="list-style-type: none">• We regularly monitor changes in local legislation and policy to ensure we are maintaining compliance.• Our Plant Directors actively build relationships at a local and national level with governments, authorities and policy-makers.
Our shareholder	<ul style="list-style-type: none">• We have a close working dialogue with our shareholder. In 2022 this was Melrose Industries plc. As of 20 April 2023, it is Dowlais Group plc. During 2022, we had quarterly meetings with Melrose to review sustainability data quality and priorities.
Global ESG standards and rating agencies	<ul style="list-style-type: none">• We monitor global ESG standards and key rating agency developments on an ongoing basis.

Our People



Our People

INTRODUCTION

GKN Automotive has 25,000 employees in 19 countries, and our people are the heart of our business. We are committed to becoming an employer of choice for the world’s best talent, so we are constantly learning, developing and transforming to provide a workplace that places safety and wellbeing at its heart.

As a global business, we also recognise that the diversity of our people and their culture, skills and abilities is a business strength. We are committed to creating an inclusive workplace that encourages diversity of thought, creativity and a sense of belonging.

To inform our strategy, we continually engage with our employees. In September 2022, 88% of employees completed our annual engagement survey, through which we gathered key insights to help shape our approach towards delivering our safety, diversity and development targets.

OUR TARGETS

<0.1%

maintain an Accident Frequency Rate of <0.1%

33%

achieve a 33% female membership of the Executive Committee by 2030

100%

provide 100% eligible, permanent employees with an opportunity to have an annual performance conversation by 2024¹

¹ Eligible employees are those employees who are full-time and meet a particular set of criteria based on local employment laws and our own internal processes.

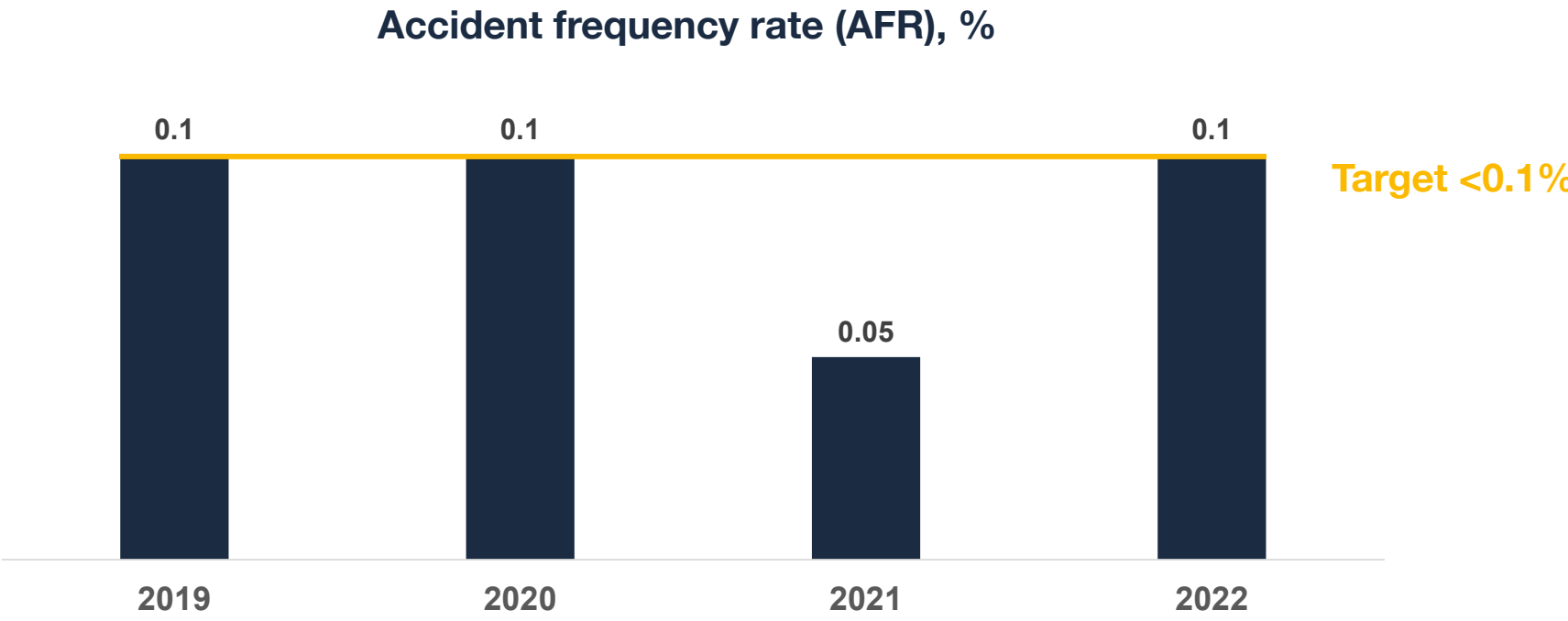
SAFETY-FOCUSED CULTURE

We know that the main risk to our people posed by our business stems from our manufacturing operations. We have a zero-tolerance approach to safety accidents and are committed to reducing the number of accidents that may occur within our workplaces. To support this, we are working to build a global culture that demonstrates a proactive, preventative, behavioural-based approach that integrates health and safety into our manufacturing operations, our values and the way we conduct our business.

All of our production sites and test centres are certified to the international standard for safety management systems (ISO 45001). To support this, all our employees undertake regular health and safety training and awareness to make sure procedures are followed, and we work in an environment where we ensure everyone adopts behaviours to reduce the risk of accidents. We want to reduce the number of accidents and incidents to the smallest degree possible and, therefore, we have set a target to maintain an Accident Frequency Rate below 0.1% per year.

During 2022, we worked to improve the reporting of our health and safety data by developing a behaviour-based safety roadmap to understand how we can better prepare our employees to avoid work-related accidents. In addition, in September 2022 we launched our focus on wellbeing. As part of this initiative, several of our sites dedicated a week that same month to focus upon encouraging employees to prioritise their physical and mental health. For example, at our Bruneck site in Italy, we ran a series of health days that included activities such as health screenings and dedicated learning sessions concentrating on health and nutrition.

In 2023, we will continue to look to improve health and safety across our manufacturing sites. This will include continuing our work on behaviour-based safety by delivering training at all our sites to ensure that the concept is understood and that we keep working on risk mitigation.



AFR: the total number of injuries sustained per hour worked per 100 employees

DIVERSITY, EQUITY AND INCLUSION

The diversity of our people and their culture, skills and abilities is a business strength. We aspire to create an inclusive workplace that encourages diversity of thought, creativity and belonging. As a global business with employees representing over 60 different nationalities, we believe in recognising and celebrating the differences between our employees, while also demonstrating tolerance and respect. We do not condone discrimination in any form.

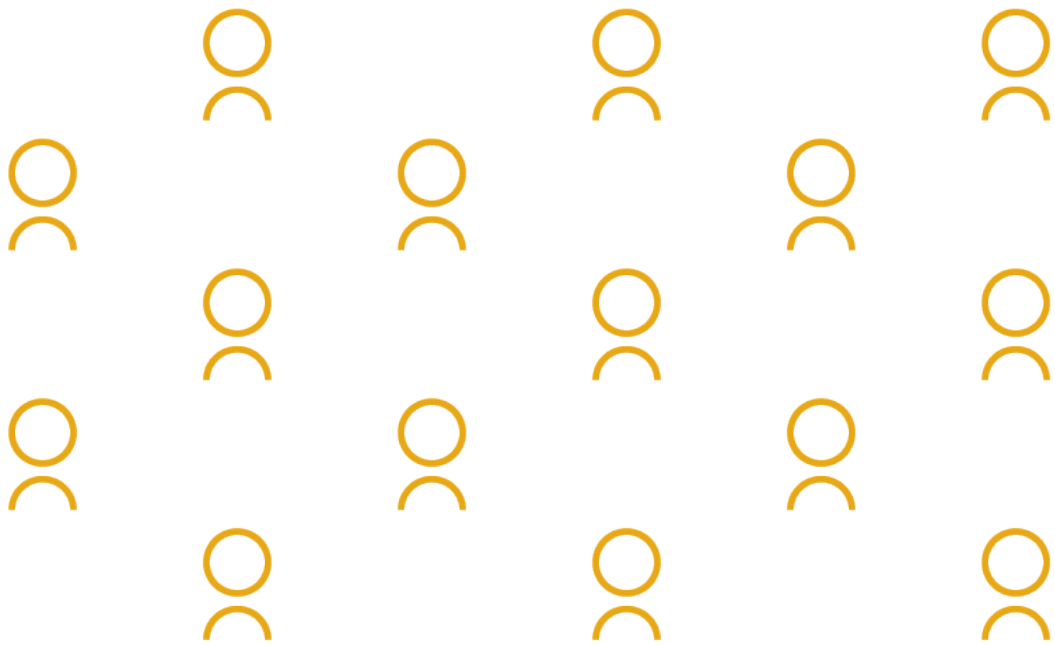
We want to ensure that everyone in our organisation is afforded equity with their opportunities at GKN Automotive for development and progression. Gender diversity has been an issue for the automotive and engineering industry for decades, and we want to play our part in addressing this challenge. To do so, we have set a target of achieving 33% female membership of the Executive Team by 2030.

In 2022, to help achieve representation through progression, we looked at the long-term picture. We set a baseline for gender balance at director level and above, with priority actions in place for systemically building out this plan to all grades on a global level in order to achieve our target. We also incorporated diversity criteria into our leadership recruitment processes and rolled out a new employee value proposition to attract an inclusive employee base more effectively.

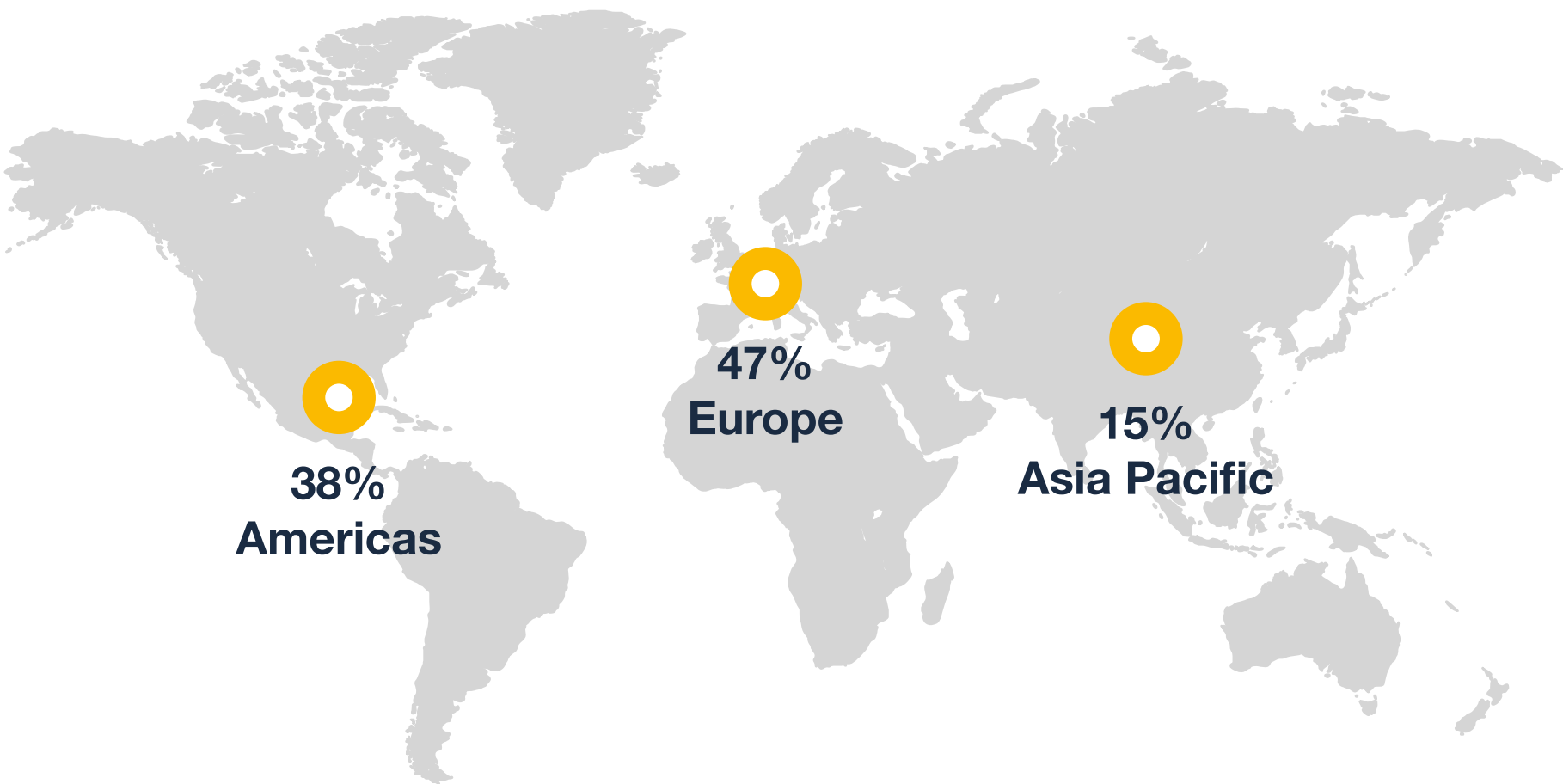
Furthermore, we have worked to obtain more data through our employee engagement survey and understand our people’s perspective on diversity and inclusion. In 2022, 16% of our global workforce, 13% of our management population and 9% of our Executive Team were female.

We know we have more to do to attract women into the industry and encourage them to choose to develop their career with us. In 2023, we plan to launch further initiatives aligned to help us progress against our target.

Understanding our gender diversity across GKN Automotive in 2022



Where our employees are based



13%

of our global management population are female (in 2022)



DEVELOPING OUR PEOPLE

In addition to employing some of the world’s best talent, we are committed to developing the talent of the next generation. Our people managers monitor the performance of their employees and encourage progression through the company, tailoring their progression pathways according to their ambitions.

Providing a clear pathway to progression is crucial to developing a culture where our employees want to stay with us and thrive. We have a robust approach to the foundations of development, ensuring that all permanent and eligible employees have the opportunity for an annual performance conversation by 2024. We are making good progress against this near-term target, with 98% of eligible employees receiving annual performance reviews in 2022.

To further support the development of our people and ensure that our managers are equipped with the necessary skills and expertise to lead their team, we launched a People Manager Toolkit and provided training to support managers in performing their roles. This toolkit is available for managers at all levels across GKN Automotive to explain their role as a people manager and how the adoption of good people management practices will get the best out of their teams.

GKN TOP Programme in Mexico

We want to develop a workplace that supports people in developing their careers by giving them the platform to excel and progress. Across a number of our sites around the world we offer early-careers opportunities, with internships, apprenticeships and graduate opportunities available. In Mexico, for example, we recently launched a 12-month internship programme called GKN TOP. As part of our commitment to developing talent, 35 interns will receive training and practical experience while working on an individual project targeted at creating cost savings.

Creating opportunities for people to take the driving seat and shape their future

“ I completed a three-year apprenticeship at the Advanced Manufacturing Technology Centre (AMTC) in Coventry, within which I had an industry placement for 18 months. The centre found opportunities for us, and one of these companies was GKN Automotive, but I never saw myself working for an automotive company.

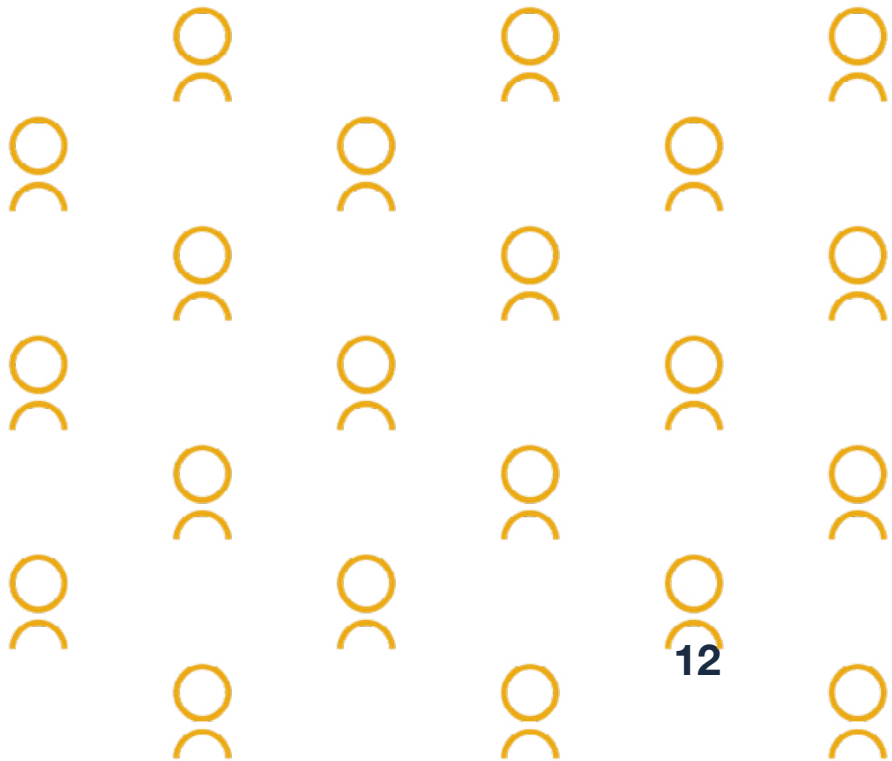
However, from the very moment I started working here, I thought it was incredible. You see all these different sides and layers to the company that you would never be able to see from the outside.

After my placement finished in 2020, GKN Automotive offered me an opportunity to do a degree apprenticeship. I didn’t think I would ever go to university and get a degree, and so this opportunity through GKN Automotive enabled me to do this. I study applied engineering at the University of Warwick, which is a practical degree where I apply the skills I am learning at work. It is challenging, but everyone at GKN Automotive has made it so much easier and acted as a support system for me.

There’s a very small ratio of women to men at our Abingdon site. But what I love is that everyone here just treats everyone else exactly the same. I’m young, I am female, and I am black. You would think that there may be times that I would be reminded of that, but everyone treats me the same. If anyone is thinking of starting their career in engineering, this is the best place to start. The exposure, the inclusiveness and the support are all amazing.



**Melissa Chigubu –
Test and Development
Team degree apprentice,
Abingdon, UK**



Climate Action



Climate Action

INTRODUCTION

We are working to play our part in addressing the climate crisis. There is a critical, long-term threat to society and the economy from the failure to take collective action on climate change. At GKN Automotive, we are driving change across the business to reduce our carbon footprint and decarbonise the industry.

In 2022, our Executive Team committed to achieving net zero by 2045 and defined near-term carbon emissions targets. In early 2023, we submitted these targets to the SBTi for validation. To achieve our priority targets, we took specific actions: we increased energy efficiency across our global plants, defined a strategy for increased sourcing of onsite and off-site renewable electricity, undertook strategic supplier engagement on sustainability and continued our investment in technologies that contribute to the decarbonisation of the industry.

OUR TARGETS

Net zero

targets submitted for SBTi validation in 2023

75%

of our electricity to be certified as renewable
by 2030; 50% by 2025

100%

of waste to be diverted from landfill by 2030

CARBON EMISSIONS

In order to address the climate crisis, we are committed to reducing our scope 1, 2 and 3 greenhouse gas emissions in line with achieving net zero. In 2022 we expanded our reporting, and calculated a more detailed carbon footprint for 2021 which is measured against best practice methodology – the Greenhouse Gas Protocol.

	2021 emissions	2022 emissions
Scope	tCO ₂ e	tCO ₂ e
Scope 1 (Direct emissions)	41,151	42,971
Scope 2 (Indirect emissions, location-based)	260,575	269,029
Scope 2 (Indirect emissions, market-based)	260,575	255,879
Scope 3 (Other indirect emissions)	21,036,365	Data not yet available*

* Data will be available on our website in 2023

2022 represented an increase in our scope 1 and 2 emissions. This can be attributed to the greater accuracy of our data, specifically around refrigerant emissions data, and the energy crisis in some countries we operate in. This has led to a rise in emission factors which in turn resulted in an increase in GKN Automotive's emissions.

Energy management

In 2022, the global energy crisis had a major impact on the global economy and on GKN Automotive’s operations. Rapidly rising inflation and the sharp increase in energy prices caused major disruptions across the automotive industry. GKN Automotive continued to play its part by responsibly sourcing and reducing energy use across our sites.

We implemented a strategy to improve energy efficiency across all GKN Automotive sites. The programme successfully ran throughout 2022 and has helped us reduce up to 30GWh in electricity consumption.

The initiatives included:

- increasing the efficiency of our operations
- leak reduction
- heat recovery
- retrofitted LED lights
- photovoltaic cell implementation

In September 2022, we looked for ways we could further improve energy efficiency and undertook virtual and in-person workshops across multiple sites. This included a site tour focusing on processes and energy infrastructures, and a workshop on potential areas of opportunity for further cutting energy consumption.

The implementation of energy monitoring systems is estimated to ultimately facilitate total energy savings of 1–2GWh, whilst heat recovery from air compressors for space heating in EU plants is estimated to save 1–2GWh of natural gas. In 2023, we will conduct additional measures to help improve our energy efficiency and support the achievement of our renewable energy targets.

~ 30kMWh

saved through energy efficiency initiatives in 2022

Renewable electricity

As GKN Automotive works to reduce its carbon footprint, using renewable electricity is a key part of our journey towards a net zero economy. To achieve this, we have set two key targets:



In 2022, 7% of GKN Automotive’s electricity consumed was certified renewable.

To increase the amount of renewable electricity that we procure and to support the effort to inject additional renewable electricity into the grid, we have partnered with Schneider Electric who will help us in signing our first Purchase Power Agreement (PPA).

PPAs are financial agreements that support the build and production of new, renewable energy. Essentially, through our work with Schneider Electric and third-party developers, we will commit to long-term agreements that allow developers to invest in and build new, renewable energy assets. This new, renewable electricity will solely be produced and injected into the power grid due to GKN Automotive’s commitment. In exchange, GKN Automotive will receive the corresponding Renewable Energy Certificates (RECs) produced by this new asset, allowing us to claim renewable electricity for the agreed volume.

In addition to purchasing renewable electricity, we have plans for a number of our sites to generate their own onsite renewable electricity. Currently, some of our locations have local onsite renewable electricity projects in place but we plan to develop a uniform approach, starting with Europe, with the ambition to roll this out globally.



Gaining a deeper understanding of our carbon impact

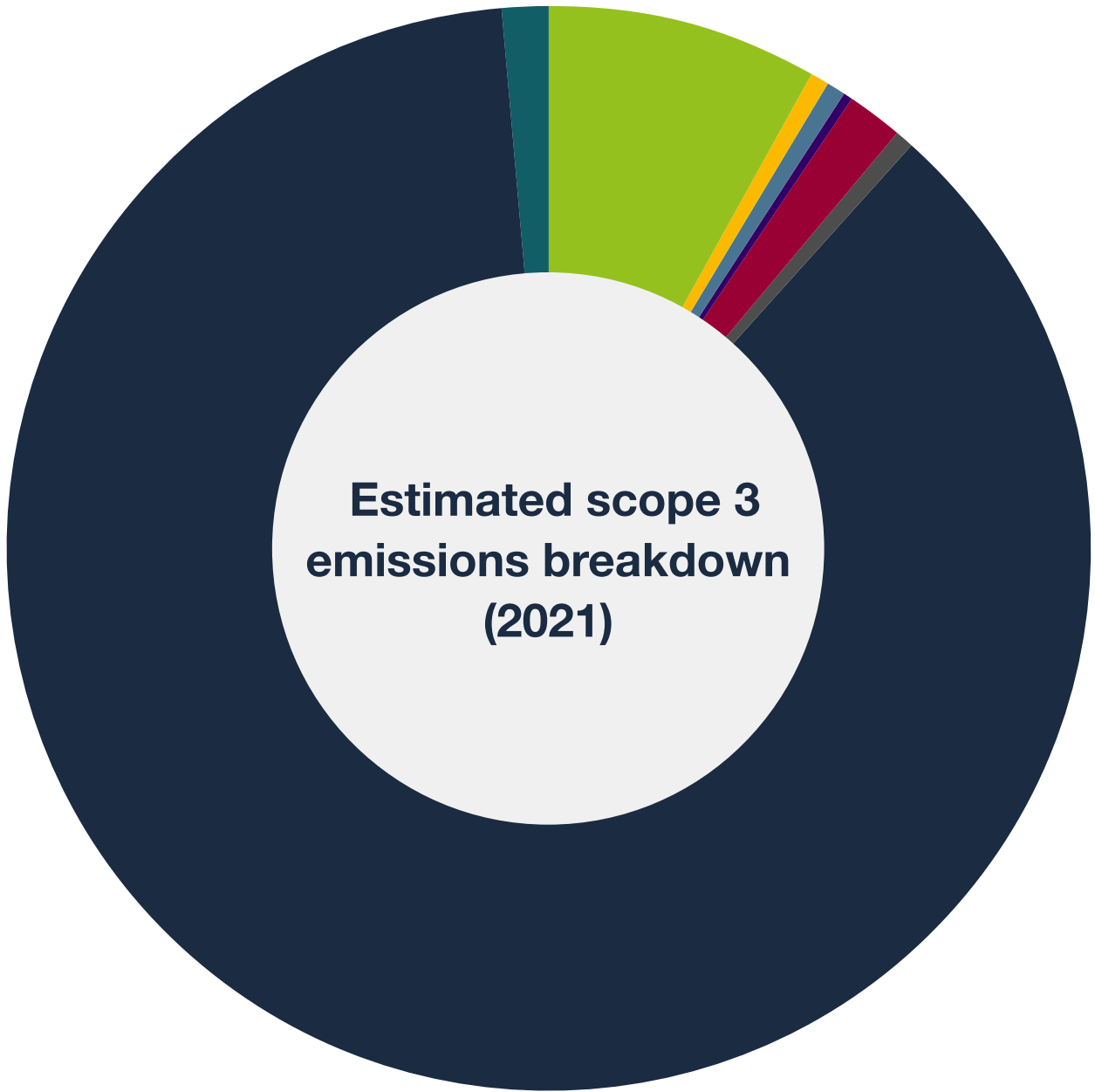
Scope 3 emissions account for over 98% of our measured carbon footprint and arise mainly from the use of our sold products. We are working to accelerate our investment in research and development to tackle this, and to drive change across the industry to help realise a decarbonised future for the automotive sector.

During 2022, we calculated a full estimate of our scope 3 emissions for the first time to establish a complete emissions baseline for 2021. This baseline has enabled us to commit to our near- and long-term science-based targets, with a goal of achieving net zero by 2045. In 2023, we will use this baseline to develop our net zero transition plan.

Whilst we aim for an annual reduction in carbon emissions, we believe that 2021 represents a full baseline for our scope 1, 2 and 3 emissions, enabling us to develop a robust net zero transition plan to target annual reductions out to 2045.

Our scope 3 data for 2022 is unavailable at the time of publication as we continue to calculate and verify the data.

For a breakdown of our estimated scope 3 emissions for 2021, please see right.



- Category 1 – Purchased goods and services

Category 3 – Fuel- and energy-related activities

Category 4 – Upstream transport and distribution

Category 5 – Waste generated in operations

Category 6 – Business travel

Category 7 – Employee commuting
- Category 8 – Upstream leased assets

Category 9 – Downstream transport and distribution

Category 10 – Processing of sold products

Category 11 – Use of sold products

Category 12 – End-of-life of sold products

Category 15 – Investments

Understanding the impact of our products through their life cycle

Most of our scope 3 emissions are generated from our sold products while they are in use, so the type of materials and the weight of our products play a critical role in the carbon emissions produced during their whole life cycle. To fully know the impact of our carbon footprint, we need to understand our products’ entire life cycle.

Through the life cycle analysis (LCA) of our products, we can identify and reduce embodied carbon that has been produced during the different life-phases of our drive systems – from manufacturing, transporting, usage and disposal – helping us contribute to the decarbonisation of the automotive industry.

This year, GKN Automotive began to embed sustainability into our systems engineering process to ensure that when we are designing our products, we consider the carbon impact from the outset. This allows us to start to analyse the carbon produced during the manufacturing process and calculate the carbon that can be saved from weight reductions.



GKN Automotive SX8-MTS-AAR V3 shaft

Improving energy efficiency and reducing carbon emissions at Bruneck

Our manufacturing facility in Bruneck, Italy, provides several examples of measures we have implemented to improve energy efficiency and reduce carbon emissions. The first is that the plant is powered by 100% green electricity, an initiative that began in 2012 and saves 5,000 tonnes of CO₂ annually.

In addition, a groundwater cooling system installed at the plant saves 1MWh of energy annually and incorporates a heat recovery system that means waste heat from machinery can be used to supplement the hot water and heating supply in our buildings, reducing the amount of energy the plant uses for heating.

As well as a transition to more efficient ventilation and LED lighting solutions, a managed switch to new facilities also helped the plant reduce gas consumption and CO₂ emissions. Bruneck is not the only plant where we are taking steps to improve sustainability. From rooftop solar systems in India to improved ventilation systems at our sites in Sweden, we are taking action to reduce our energy consumption wherever possible. For example, the introduction of LED lighting at our facility in Oleśnica, Poland, has saved 53MWh annually, while changes to the operation of furnaces at our plant in Newton, US, has resulted in a reduction in power use of 7,300MWh per year.

GKN Automotive manufacturing facility in Bruneck



WASTE MANAGEMENT

The materials that we use during the manufacturing of our products have a large impact on the world around us. Through the development of our products, we must ensure that we have considered the entire life cycle of the materials our products are made from and how they impact the world around us, from the minute they are extracted to the moment they reach their end of life.

One way that we consider the life cycle of our products and the materials we source is through the implementation of circular economy principles. To drive a more sustainable future, we must reduce the waste that we produce. With this in mind, we have set a target of diverting 100% of the waste we produce from landfill by 2030. In 2022, we have successfully diverted 99% of our waste from landfill; achieving our target of 100% will only be possible when there is a viable alternative to landfill in all the countries in which we operate.

99%

waste diverted from landfill in 2022



Responsible Sourcing

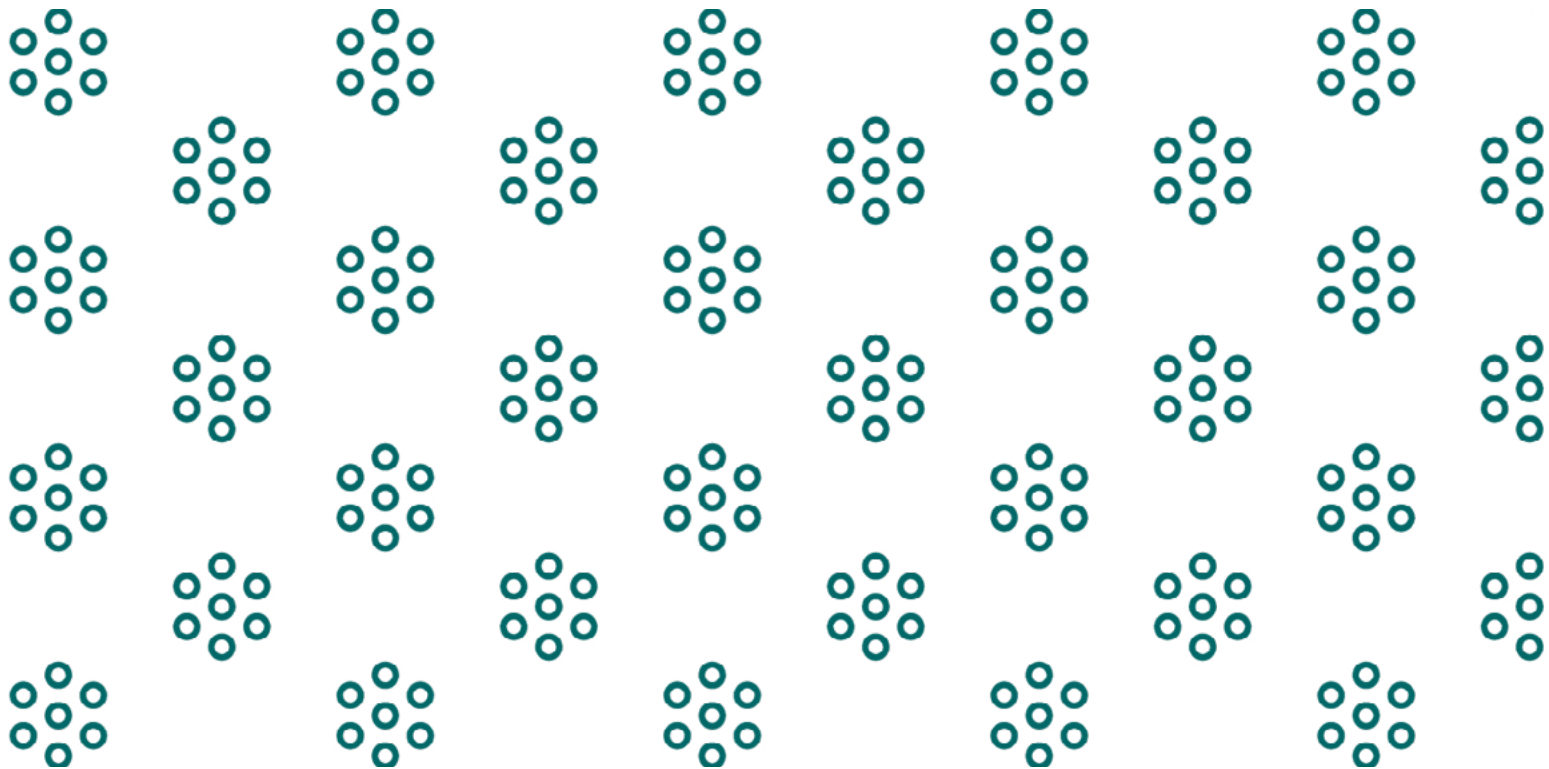


Responsible Sourcing

INTRODUCTION

The automotive industry involves incredibly complex and diverse global supply chains. We have a duty to ensure that we are sourcing our products and materials responsibly.

As a first-tier supplier to many of the world's largest automobile manufacturers, our role is crucial in the reduction of carbon emissions, as well as the elimination of modern slavery and conflict minerals within the automotive industry.



OUR TARGETS

Top 80%

of our strategic suppliers to provide sustainability roadmaps and targets by 2023

Zero substances

classified as conflict minerals to be knowingly sourced

ENGAGING WITH OUR SUPPLIERS

We are working with our suppliers to ensure our values are upheld, and that social and environmental standards are adhered to. Our approach is governed by a new Responsible Sourcing Policy, launched in 2022. This policy sets out the framework for how we procure and work with our suppliers to meet our sustainability strategy. As part of this, during 2022, over 90% of our senior commercial and procurement teams received training on sustainability and responsible sourcing.

To implement our Responsible Sourcing Policy, we also strengthened our [Supplier Code of Conduct](#) (SCOC) in 2022. This document sets out our minimum expectations for our suppliers. It informs our suppliers of the relevant targets that GKN Automotive is committed to achieving and how we expect our suppliers to support us in doing so. All suppliers must comply with the SCOC. By the end of 2023, we expect the top 80% of our strategic suppliers to share their sustainability roadmaps and targets.

To further embed our Responsible Sourcing Policy, during 2022 we began working with NQC, a well-known service provider within the automotive sector. NQC provides a platform to assess suppliers on their ESG performance in several key areas such as business ethics, health and safety, human rights, environment and conflict minerals by asking them to answer the NQC sustainability assessment questionnaire (SAQ). The questionnaire will be rolled out to suppliers during 2023.



Annual supplier conference

In October 2022 we held our annual Supplier Conference. This virtual event gave our suppliers an insight into our sustainability strategy and what it will mean for them. Specifically, we highlighted how our suppliers are integral to achieving our targets.

To support us in achieving these targets, we asked our suppliers to adopt our new SCOC and explained the key changes. We also asked the suppliers to adopt our new ESG supplier evaluation software, developed by NQC, when it is launched in 2023.

Overall, we received very positive feedback from our supplier network, with many expressing their gratitude at being engaged in this process.

“

It is very exciting to hear about all of the changes upcoming to GKN Automotive and the company’s commitment to evolving with the current business climate, especially your commitment and focus on ESG factors. We are looking forward to partnering with GKN Automotive and understanding your expectations next year when you plan to roll out the supplier evaluations and requirements.

Aaron Bauer - Sr Sales and Engineering Manager, ILJIN

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HUMAN RIGHTS AND MODERN SLAVERY

GKN Automotive expects all human rights to be respected, both internally and throughout our supply chain. We have a zero-tolerance approach to modern slavery and are committed to investing in, implementing and enforcing effective systems and controls to safeguard the business against the risk of modern slavery within both the business and supply chain.

In 2021, we introduced a new internal Human Rights and Anti-Slavery Policy which governs our approach to respecting human rights and eliminating modern slavery. This policy, which guides our Slavery and Human Trafficking Statement, affirms that modern slavery is a crime, a violation of fundamental human rights and entirely contrary to GKN Automotive’s policies and values. Our employees undergo annual training on modern slavery and human rights as part of our ethical conduct training and we aim for a 100% completion rate.

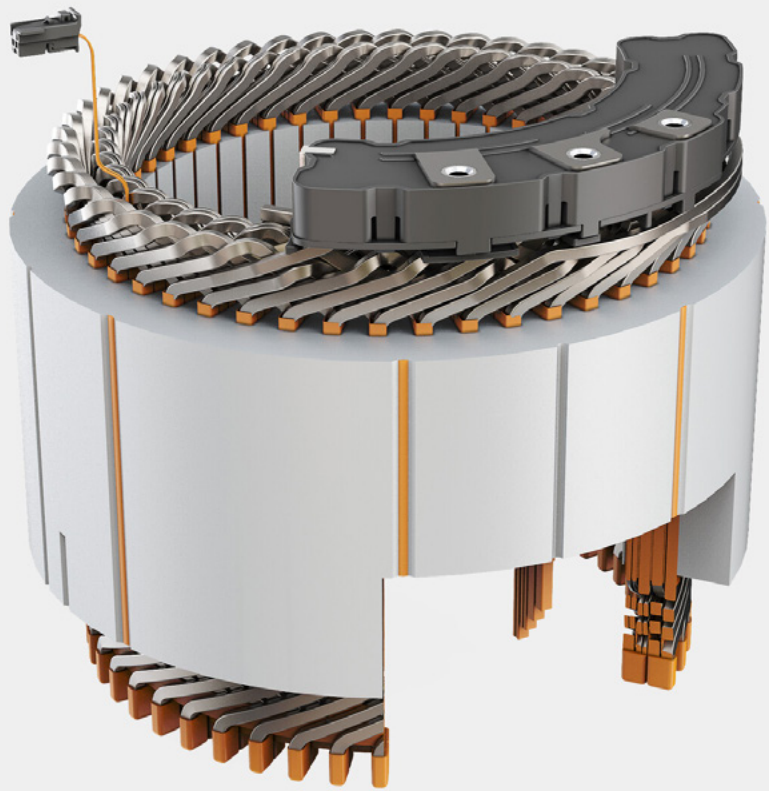
CONFLICT MINERALS

The automotive industry currently relies on the extraction and supply of rare earth minerals that are found in specific areas of the world. Sadly, in some of these areas conflict is affecting the mining and trading of these minerals. The conflict minerals of most concern are tin, tungsten, tantalum and gold mined from the Democratic Republic of Congo and surrounding countries.

GKN Automotive’s own policy on this topic requires the business to regularly undertake conflict minerals due diligence analysis with relevant suppliers, who are requested to self-declare compliance via the Conflict-Free Sourcing Initiative reporting template.

We are committed to ensuring that we are not knowingly or negligently sourcing any conflict minerals. To achieve this, we undertake annual assessments to evaluate our suppliers on their adherence to not sourcing or using conflict minerals.

In 2022, results from our supplier assessments demonstrated that we are not knowingly sourcing conflict minerals. In 2023, we aim to further improve our due diligence processes by rolling out our new supplier assessment tool.



GKN Automotive Hairpin Stator eMotor



Our Impact



Our Impact

INTRODUCTION

At GKN Automotive, we recognise our position as a global organisation capable of influencing the world and the communities in which we work. The challenges we face as an industry and as a society need to be addressed if we are to deliver on a cleaner, more sustainable world and contribute to our local communities.

Our goal is to make a positive contribution to society through our products, services and ongoing contributions to local communities. We will do this through continued investment in innovation and new products, as well as maintaining our long history of giving.



GKN Automotive Gen2 Inverter

OUR TARGETS

50%

of research and development (R&D) expenditure per annum to contribute to the decarbonisation of the industry by 2025

50%

of new products to contribute to the decarbonisation of the industry by 2025

2025

– charity partnerships aligned to our values and services to be established in each location by 2025

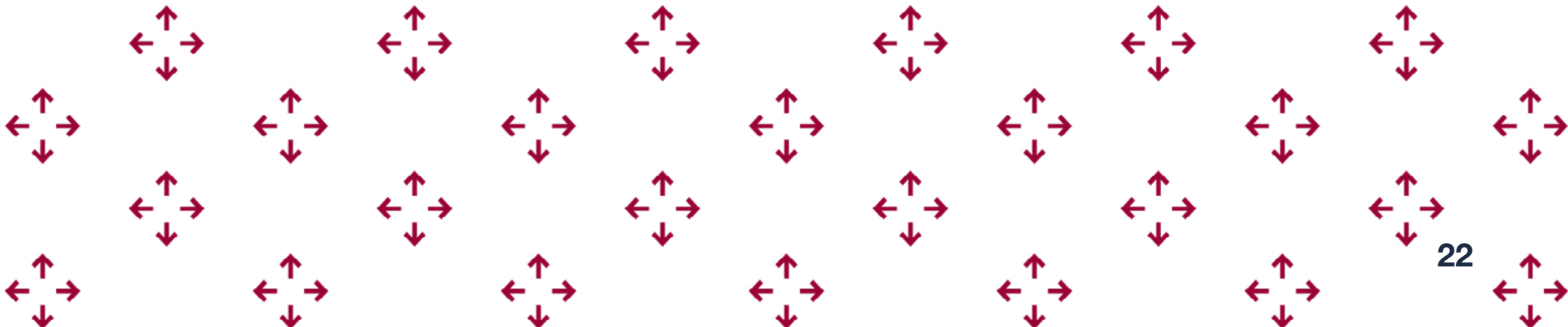
DECARBONISING THE INDUSTRY

The automotive industry is set to play an essential role in decarbonising the road transport sector and enabling the global transition to net zero. To support this, we are continually investing in innovation and new products that contribute to the decarbonisation of our industry.

GKN Automotive is at the forefront of the transition to EVs. In 2022, approximately 70% of our sales came from driveline products, such as sideshafts, which are required for EVs, as well as more specific EV solutions (such as eDrive components and systems). We offer solutions for all electrified vehicles and we are the only company that offers torque vectoring, hybrid transmissions, and modular eDrive systems. Currently, more than two million electrified vehicles have GKN Automotive eDrive systems in place and we aim to increase this number annually as we expand our portfolio. In 2022, 35% of new products launched by GKN Automotive contribute to the decarbonisation of the sector.

During the year we also launched our next-generation inverter, offering our customers the most advanced 800V electric vehicle technology available. This inverter is compatible with 400V and advanced 800V electric vehicle technology, and is designed with sustainability in mind. Using silicon carbide technology, the inverter has allowed us to achieve faster charging times and, with an increased battery size, offers a 20% power output increase, a 50% increase in power density and a 63% reduction in copper use.

Our All Wheel Drive (‘AWD’) technologies continue to support customers to improve fuel efficiency and reduce emissions. Our AWD Disconnect system helps reduce the related carbon emissions by up to 80% compared with conventional AWDs. In addition, the new generation AWD components are 30% more efficient and 20% lighter than previous generations and are made from 98% recyclable materials.



Research and development

We direct our research and development activities to deliver our corporate mission: to drive a cleaner, more sustainable world. We are allocating an increasing proportion of our research and development resource to specifically develop products that are more efficient, less resource-intensive and reduce emissions whilst in use. In 2022, GKN Automotive focused 86% of its annual R&D budget on initiatives that contributed to the decarbonisation of the automotive industry.

Our six global technology centres and our global R&D network ensure that world-class experts are involved at every stage of development as we work on the transition to electric vehicles. For example, we recently joined a new €4m European R&D project launched by Mondragon University. The project aims to develop lower cost, more efficient permanent magnet eMotors with increased power density for mass-produced, next generation electric vehicles.

The GKN Automotive Innovation Centre in Abingdon, UK, has continued to support the next generation of eDrive technology to power future EVs and increase engineering capability in the UK. In 2022, GKN Automotive partnered with research teams in the engineering departments at the University of Nottingham and Newcastle University to launch the Advanced Research Centre, operating collaboratively with engineers in our Innovation Centre in Abingdon. In 2023, we will look to develop global strategic partnerships to create the next generation of eDrive technology.

86%

of our R&D budget was spent on decarbonisation in 2022

Partnering with Jaguar TCS Racing to develop the next generation of efficient Formula E racing cars

GKN Automotive has had a long-standing relationship with the Jaguar TCS Racing team since 2017. Last year we further strengthened our relationship by contributing engineering support for the development of the Gen3 Formula E powertrain technology, creating one of the most efficient racing cars in the world through the use of regenerative braking. Introduced in the ninth Formula E season, regenerative braking reuses energy by using the waste energy from the process of slowing down the car to recharge the car's batteries. The Gen3 model produces at least 40% of the energy used in the race.

This energy efficiency is increased even further: it is the first Formula E car with both front and rear powertrains, therefore increasing the regenerative braking capacity by more than double.

The next generation of racing cars for Season 9 is the most complex, powerful and technologically advanced that Formula E has ever seen, and this cutting-edge engineering is a great example of how we can take the technology used in racing cars and apply it to the road.

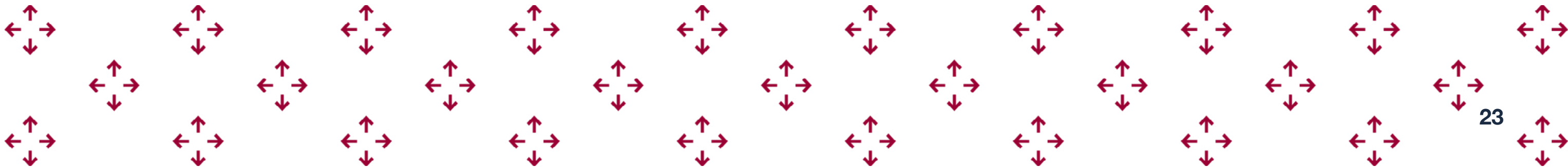
At least 40%

of the energy used during each race is produced by the Gen3 model



GKN Automotive has been a highly supportive and engaged eDrive partner to the Jaguar TCS Racing team since 2017. The team at their Innovation Centre has had an incredible impact in supporting us during the season. They have assisted us in making a number of all-important efficiency gains which can sometimes be the difference between being at the top or the bottom of this highly competitive world championship. GKN Automotive have worked with us to analyse the most effective cooling system options, testing our powertrain technology and seconding one of their talented software engineers into our racing team. We look forward to continuing our valuable partnership with GKN Automotive during Season 9.

James Barclay – Team Principal, Jaguar TCS Racing



CHARITABLE PARTNERSHIPS

We are a global business and, with sites across four continents, we recognise that we have a responsibility to address the environmental and societal issues in all of our local communities. Throughout 2022, we established local community champions at each of our sites, developed a clear community support framework and engaged with all sites to understand their current volunteering activity and charitable partnerships.

Our target is for all GKN Automotive sites to have, by 2025, at least one charitable partnership that aligns with our strategic purpose.² This means we are committed to maintaining the partnerships we currently have and growing our partnership base across the globe. In 2022, GKN Automotive donated over £770,000 to charitable causes globally, and 84% of our sites had local charitable relationships.

² 'All sites' refers to all sites which have over 10 employees.

Over £770,000

donated to charitable causes globally in 2022

Providing support to Ukraine

In response to the invasion of Ukraine by Russia, GKN Automotive donated £250,000 to the UK Disasters Emergency Committee (DEC). The DEC has brought together 15 leading aid charities and local partners responding on the ground in Ukraine and neighbouring countries. Funds through the DEC are designed to reach those people directly in need – making a real, tangible difference to people who have been displaced.

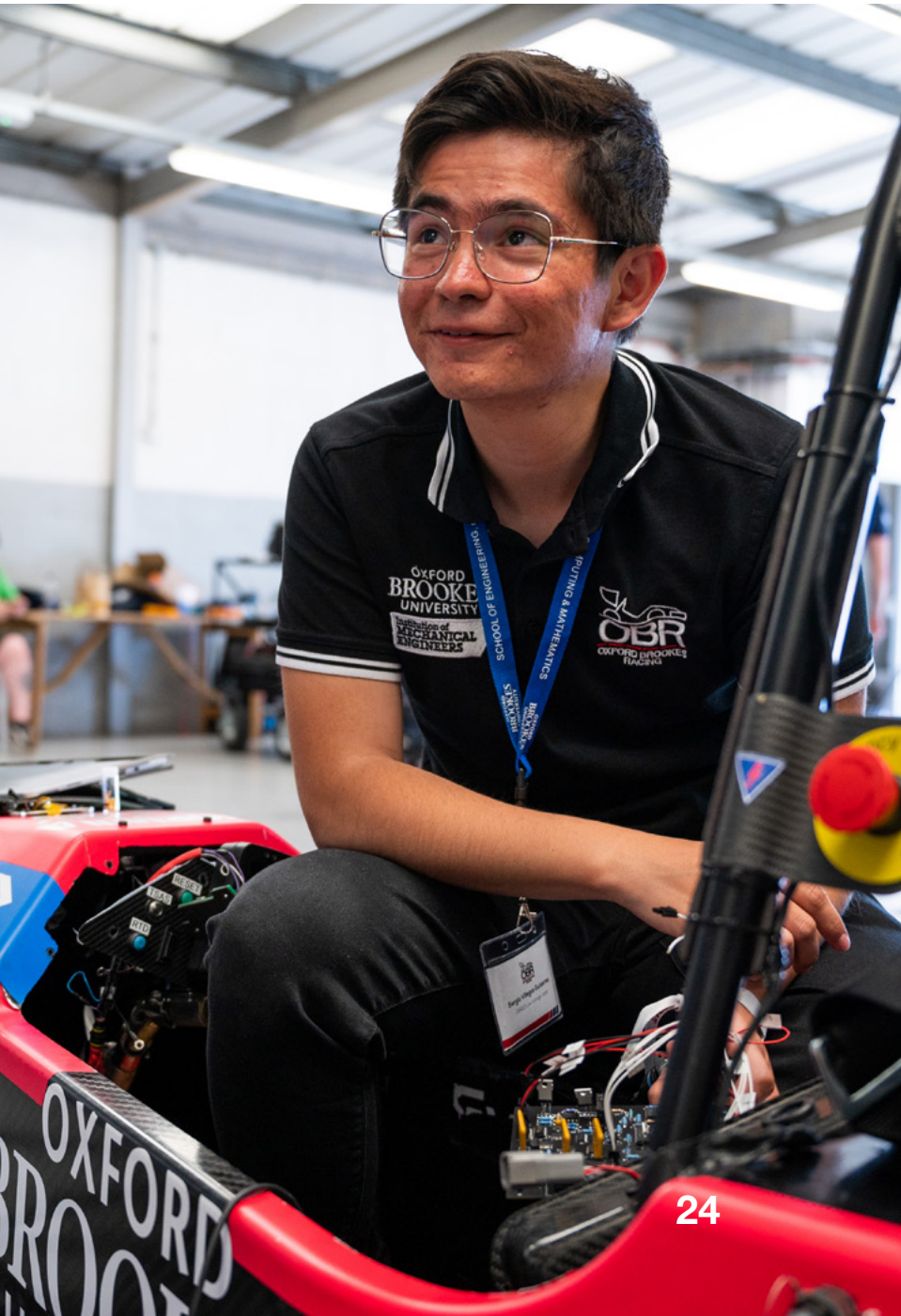
We also supported our team in Oleśnica, Poland, to buy essential items such as blankets, hygiene supplies and emergency food to give to those arriving in the Oleśnica region, and to provide further support in whichever way it is needed. We would like to take the opportunity to thank our whole team in Poland for the incredible work they have done and are continuing to do to help. We also know that people from all parts of our business are contributing in other ways, and we will continue to support other initiatives where we can.

Our work with Formula Student

Formula Student is an educational engineering competition that uses motorsport to inspire students. GKN Automotive sponsors and supports students at Ataturk University in Turkey, the University of Nottingham and Oxford Brookes University in the UK. We have been working in partnership with these universities since 2018 and we continue to provide technical support, time, data and materials every year.

The competition aims to develop enterprising and innovative young engineers and encourage more young people to take up a career in engineering. GKN Automotive's specialist engineers support the students by helping them to design a car, providing data to help students improve their cars and sourcing spare parts to help the team create their vehicle.

Our effort in helping inspire the next generation of engineers through Formula Student not only enables students to gain more practical experience and become more employable at the start of their careers, but it also contributes to creating a talent pool of students who share GKN Automotive's values. For 2023, we are excited to continue supporting this initiative and further strengthen our relationship with the engineers of tomorrow.



Ethics, Compliance, Safety and Security

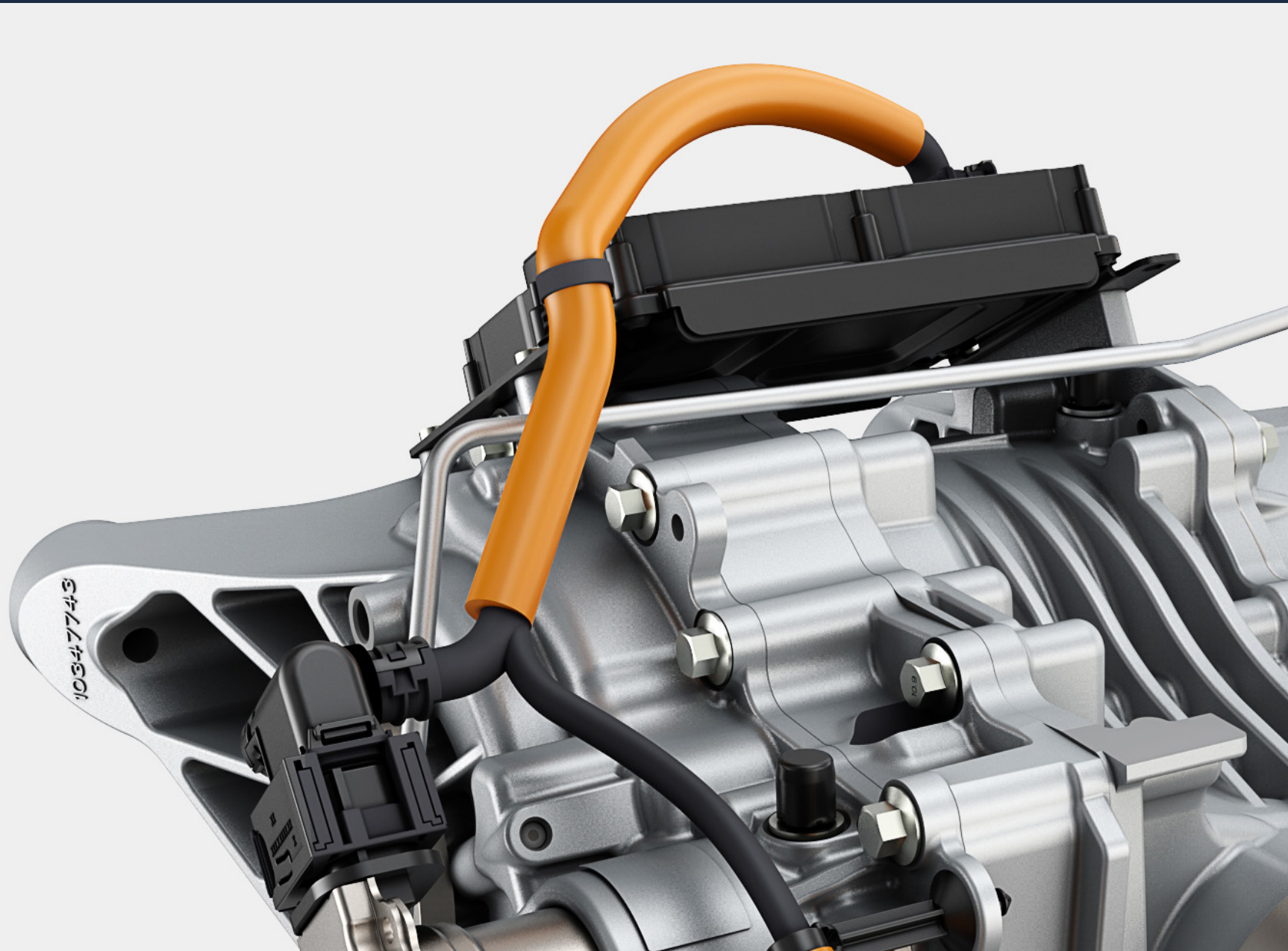


Ethics, Compliance, Safety and Security

INTRODUCTION

To drive a sustainable future for GKN Automotive, we have built our sustainability strategy upon the foundations of ethics, compliance, product safety and security. We are a values-led company, and our ‘Principled’ value ensures we are committed to doing the right thing.

Our General Counsel is responsible for ensuring that we maintain high standards of ethics, compliance, product safety and security.



ETHICS AND COMPLIANCE

In 2022 we updated Our Code (an updated Employee Code of Conduct). Our Code outlines our values, expectations and policies within one simple framework. Available in 17 languages commonly used by our people, it applies to all GKN Automotive employees and guides how all our employees behave. We ensure that all our people receive induction and regular refresher training on Our Code. We have developed new, interactive content that places employees in workplace scenarios to help them understand topics including conflicts of interest, modern slavery and human rights. We also launched a new course on data protection to reflect the expansion of our wider data protection policy framework beyond our operations in the EU. These courses supplement our existing training on key compliance topics such as fair competition and anti-bribery and corruption. We robustly investigate reports of breaches of Our Code and take corrective actions accordingly.

In late 2022 we launched a new compliance and ethics leadership assurance process (new internal and external web pages), designed by over 600 of our senior leaders, which aims to ensure accountability for compliance and ethics across our business.

PRODUCT SAFETY

How our employees behave at work also contributes to the safety of our products. Product safety is vital to ensure the continued success of GKN Automotive, and across the world millions of people rely on our products meeting the highest safety standards every day.

In 2022 we launched a new product safety portal. GKN Automotive is certified to the IATF (International Automotive Task Force) 16949 standard, and potential safety concerns are assessed by our Product Safety Steering Committee to ensure high standards of governance and oversight.

Our robust product safety policies and procedures are designed to ensure that our products are safe. All employees must comply with our Product Safety Policy and complete product safety training, with the next wave of training to be completed in 2023. Should our employees have any potential product safety and integrity concerns, they report this to their product safety representative. In 2022, we launched a new product safety dashboard which provides live updates from across the business units showing the status of pre-launch safety audits.



INFORMATION AND PERSONNEL SECURITY

Security – including physical, personnel, information and cyber – is critically important to GKN Automotive. We take security risks towards our people, information, systems and assets very seriously.

In 2022 we launched a new Global Data Security Policy. Our Global Security Office, led by our Chief Information Security Officer, oversees our security management system and processes across all GKN Automotive sites. It manages the implementation of strong controls that protect our organisation against security threats, incorporating diverse protection measures built on best practice standards.

We continually review our security defences, and to further strengthen our systems and processes, we plan to accredit all our sites to the best practice standard TISAX (Trusted Information Security Assessment Exchange). In 2022, five of our sites achieved TISAX accreditation. By the end of 2024, we intend to have seven more global sites accredited.

All GKN Automotive employees are required to complete security awareness training annually and, in 2022, we implemented regular phishing simulations globally, which saw a reduction of 5% of clicks on the phishing links during simulations.



About this report

Date of publication: 12 June 2023

The reporting period covers GKN Automotive's Financial Year 2022, from 1 January to 31 December 2022. Performance data relates to this period unless otherwise stated. We have also taken account of significant events prior to this period and up to the editorial deadline of 12 June 2023.

To further improve our reporting for our first Sustainability Report, we have used the GRI reporting principles to describe our approach and performance related to the management of our material sustainability topics. In future Sustainability Reports we will evolve to reporting in accordance with mandatory and best practice sustainability reporting frameworks to provide a comprehensive picture of GKN Automotive's most significant impacts on the economy, environment and people, including human rights impacts.