

SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR GKN PLC AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

GKN's core value can be summed up in one phrase: doing the right thing – by our people, as a business, and in our world. This Slavery and Human Trafficking Statement, made pursuant to section 54 of the Modern Slavery Act 2015, summarises the steps we have taken as a business to address the risk of slavery and human trafficking in our operations and supply chains.

OUR ORGANISATION

Business sector

GKN is a global engineering business – we design, manufacture and service systems and components for most of the world's leading aircraft, vehicle and machinery manufacturers.

GKN primarily operates through the following three divisions:

GKN Aerospace	Supplies airframe and engine structures, landing gear, electrical interconnection systems, transparencies, and aftermarket services.
GKN Driveline	Develops, builds and supplies an extensive range of automotive driveline products and systems, for use in a wide variety of vehicles.
GKN Powder Metallurgy	Comprises GKN Sinter Metals and Hoeganaes. GKN Sinter Metals manufactures precision automotive components as well as components for industrial and consumer applications. Hoeganaes manufactures metal powder, the essential raw material for powder metallurgy.

Additional businesses include GKN Wheels and Structures which manufactures off highway wheels, and GKN Shafts and Services which supplies power management products.

Organisation's structure

GKN is a global engineering business with manufacturing facilities, service centres and sales offices in more than 30 countries.

As at 31 December 2016, GKN employed some 58,200 people in its subsidiaries and joint ventures around the world.



■ Countries with GKN manufacturing facilities, service centres and/or sales offices

SLAVERY AND HUMAN TRAFFICKING WITHIN OUR OWN ORGANISATION

Policies

GKN Code

The GKN Code applies to everybody who works for a company controlled by GKN, whatever their job and wherever they are located. One of the key principles of the Code is a respect for others; the Code requires us to treat people justly and strictly prohibits the use of child or forced labour in our operations or supply chains.

All new employees are provided with a copy of the Code and are asked to read it as part of their induction process. The Code is also available to GKN personnel on the Group intranet.

Group Policies

The GKN Code is supported by a number of Group-level policies which set out minimum standards to be incorporated into our risk management and internal control systems throughout our businesses.

Employment Policy

The GKN Employment Policy requires Group businesses to treat employees with respect and prohibits the use of forced or child labour in our operations. Specific elements of the policy pertinent to addressing the risk of human trafficking and slavery include the requirements for all Group businesses to:

- > comply with prevailing employment laws and regulations; and
- > conduct pre-employment checks including references and the right to work.

During the year we reviewed our Group Policies and issued the 'Keeping us on Track' Handbook. The Handbook was issued to members of management and cascaded down throughout their teams to remind our businesses what is required of them. The Handbook is available on the Group intranet to provide employees with easy access to all of the Group's governance requirements, policies and procedures.

Assurance processes

Each year senior managers are required to complete an assurance process in relation to their awareness of the behaviours expected under the Group's Code and Policies. They are also required to complete an Internal Control Checklist (ICC) to confirm that non-financial controls are in place and operating effectively.

Group processes particularly relevant to addressing the risk of slavery and human trafficking include:

Human Resources Controls Checklist (HRCC)

The HRCC is used to monitor compliance with our Employment Policy, HR standards and procedures at each GKN location. The checklist is completed annually and participants are encouraged to use the system as a platform for self-assessment and to report any HR related incidents or matters of non-compliance. All non-compliances have been reviewed for 2016; there is no indication that forced labour or human trafficking are taking place in our businesses.

Positive Climate Index (PCI)

PCI sessions are held monthly in every GKN site. In these sessions GKN employees anonymously answer questions about their experiences of working for GKN, including questions relating to the GKN Code and values. PCI performance helps us monitor the ethical climate across the Group.

Speaking Up

Our commitment to doing the right thing underpins our belief in speaking up when we see behaviour which is wrong. If GKN personnel identify any behaviour inconsistent with the GKN Code, including any signs of slavery, human trafficking or other human rights abuses, they are encouraged to report this to management directly or through the external employee disclosure hotline.

Throughout 2016 and up to the date of this statement, GKN has received no reports or concerns regarding slavery or human trafficking in our operations.

Site visits

Members of Corporate Audit and Group HSE visit a number of sites each year as part of their respective audit processes. This Group level oversight of our staff and their working conditions helps ensure working environments which respect human rights and prevent the use of forced or child labour in our operations.

Risk of slavery and human trafficking in our business

We have considered the risk of slavery and human trafficking taking place in our business.

Taking into account the prevalence of forced labour in the countries in which we operate*, the roles being performed and the skills and qualifications needed to perform those roles, our recruitment processes, the output from the HRCC conducted at the end of 2016, the output from the monthly PCI sessions conducted during 2016 and the absence to date of reports of concerns or incidents regarding forced labour, we consider the risk of slavery or human trafficking occurring within our direct employee population to be low.

Many unskilled roles within the Group are performed by the employees of embedded third party contractors. The nature of these roles and the limited visibility of our contractors' recruitment processes increases the risk of slavery or human trafficking for these workers, particularly in countries in which the use of forced labour is prevalent. To mitigate this risk we make it explicitly clear to our contractors that we will not tolerate the use of forced labour or human trafficking in our businesses. We require our contractors to sign up to our standard supplier terms and conditions which mandate compliance with our Supplier Code of Conduct (see below for more details). Taking into consideration our contractors' commitment to adhere to our Supplier Code of Conduct and the absence of any reports of concerns regarding forced labour from our employees who have visibility of our contracted workers, we consider the risk relating to these workers to be managed and contained.

SLAVERY AND HUMAN TRAFFICKING WITHIN OUR SUPPLY CHAIN

As a Group we have approximately 17,797 active suppliers based in 46 countries.

We believe in treating our suppliers with fairness and integrity. In return we expect our suppliers to do the right thing. This means that we expect them, their employees and their supply chains to operate in a way that supports our commitment to strong ethical standards.

Policies

Supplier Policy

Our Supply Chain Management Policy sets out the standards expected of our suppliers. Our policy is clear: we will not engage with suppliers that infringe internationally accepted standards for workers' rights, use child or forced labour, or fail to comply with relevant laws and regulations.

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

Supplier Code of Conduct

Our Supplier Code of Conduct sets out the minimum standards we expect from all our 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.

During the year we reviewed the content of our Supplier Code of Conduct and updated it to include an explicit requirement to cascade our expectations down the supply chain. The updated Code also includes a new right of audit for GKN to visit supplier locations to ensure compliance with our requirements.

The Group has in place a number of standard supplier terms and conditions which vary depending on the division and geographical location of the GKN business transacting with the supplier. We took the opportunity in 2016 to review our standard supplier terms and conditions. Those that failed to mandate compliance with the Supplier Code of Conduct are being updated to do so. Where it is not possible to use our standard terms and conditions, suppliers are required to confirm in writing that they understand our requirements and will comply with them.

* based on recognised external sources on perceived slavery risk within geographic areas

Assurance

Site Visits

Many of our supplier facilities are visited regularly by divisional procurement personnel. While the visits in 2016 did not include a formal audit of the requirements of our Supplier Code of Conduct, they provided visual oversight of our suppliers' employees and their work environments, providing assurance that our direct suppliers respect human rights and do not use child or forced labour.

Risk of slavery and human trafficking in our supply chain

During 2016 we assessed the risk of slavery and human trafficking taking place in our supply chains. Due to the complexity of our supply chains and the limitations on visibility beyond our direct suppliers, this risk assessment focused on our tier 1 suppliers.

The risk assessment was conducted by a two-step process:

Step one included a high-level assessment of suppliers with an annual spend of £100,000 or higher. The assessment considered the perceived prevalence of forced labour in the countries in which our suppliers are based* and the risk of forced labour in the sectors in which our suppliers operate. Excluding Group companies, this initial assessment identified 226 potentially high risk suppliers.

Step two of the assessment involved cross referencing these 226 suppliers against the 2016 report by the US Department of Labor which lists, by country, the goods and services that have a higher risk of being produced by child and/or forced labour. None of the 226 GKN suppliers supply products or commodities considered to be a high risk.

Taking into account the outcome of this assessment, the commitment of our direct suppliers to comply with our Supplier Code of Conduct and the absence of any reports of concerns regarding slavery and human trafficking in our supply chain from our divisional procurement functions, we consider the risk of slavery and human trafficking occurring in the first tier of our supply chain to be low.

TRAINING

Behaviours indicative of forced labour and human trafficking have been summarised and circulated to those most likely to be in a position to identify and address modern slavery risks, including senior management and personnel in our Human Resources, Purchasing and Internal Audit functions. This 'red flag' summary also includes details of the countries where instances of forced labour and human trafficking are more prevalent and encourages GKN personnel to be more vigilant at these locations.

KPIs

In order to assess the effectiveness of the measures we have taken we will continue to review the following key performance indicators:

- > 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.
- > The average PCI Scores.

This statement applies to the financial year ending 31 December 2016 and was approved by the Board on 24th February 2017.



Nigel Stein
Chief Executive Director

* based on recognised external sources on perceived slavery risk within geographic areas