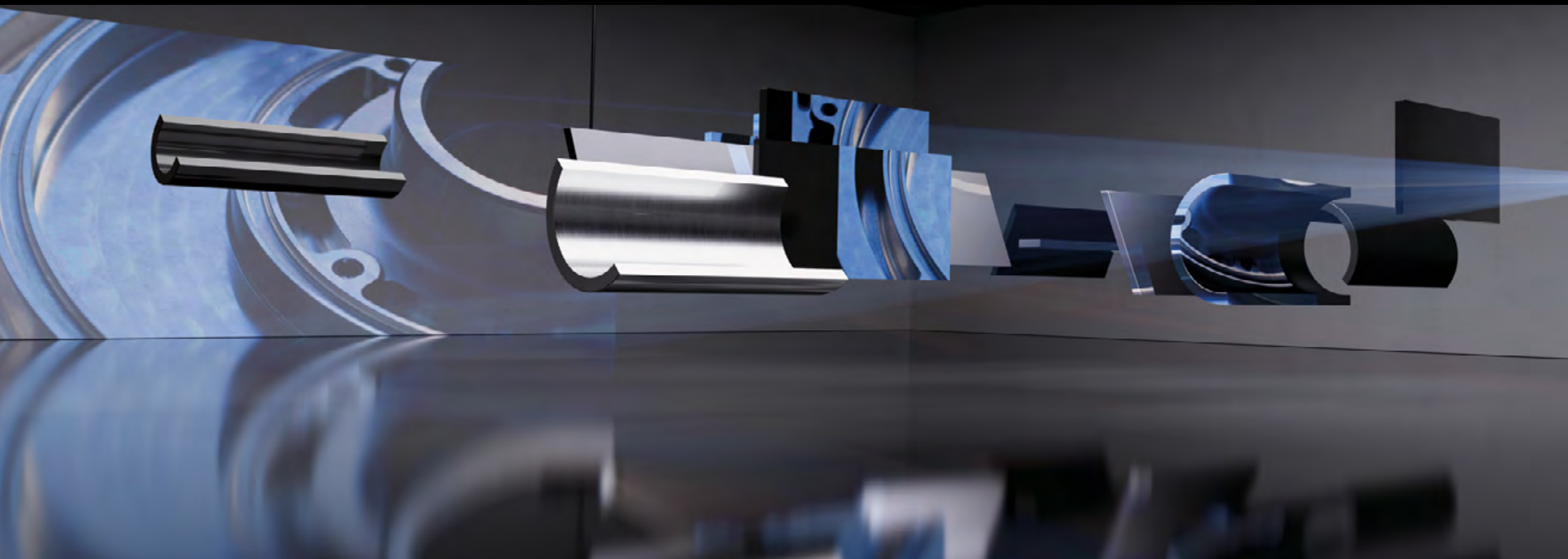


DOWLAIS

Dowlais Group plc
2023 Annual Report

ENGINEERING TRANSFORMATION



ENGINEERING TRANSFORMATION FOR A SUSTAINABLE WORLD

I am delighted to present the inaugural Annual Report for Dowlais, the UK's leading listed automotive components business.

We manage a portfolio of market-leading, high-technology engineering businesses that advance the world's transition to sustainable vehicles. This includes the world leaders in drive systems and in powder metallurgy, delivering precisely engineered products, solutions and technological innovation necessary for a net zero economy.

This year we have made significant financial and strategic progress. We have delivered strong growth, expanded margins in a period of high inflation, generated positive cash flow and executed well across all of our strategic priorities. Thanks to the outstanding quality of our businesses, we remain confident of delivering long-term, sustainable and sector-leading financial performance.

We look forward to an exciting future as we continue to play a pivotal role in the evolution of our industry.



Liam Butterworth
Chief Executive
Officer

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FINANCIAL HIGHLIGHTS

£5,489m

(2022: £5,246m)

Adjusted¹ Revenue,
representing 6.3%
year-on-year growth²

£355m

(2022: £333m)

Adjusted¹ Operating
Profit representing
10% year-on-year growth²

6.5%

(2022: 6.3%)

Adjusted¹ Operating Profit
Margin, representing 30 bps
year-on-year expansion²

£4,864m

(2022: £4,595m)

Statutory revenue,
representing 5.9%
year-on-year growth

£(450)m

(2022: £58m profit)

Statutory operating
loss, reflecting non-cash
goodwill impairment

£93m

Adjusted¹ Free
Cash Flow

13.8p

Adjusted¹ earnings
per share

4.2p

Full-year dividends per share
(subject to final dividend
approval by shareholders)

£50m

Intention to commence
share buy-back programme

SUSTAINABILITY HIGHLIGHTS

SBTi³

Automotive and
Powder Metallurgy
targets submitted, with
Automotive validated

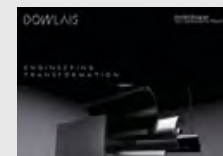
Platinum

EcoVadis medal for Powder
Metallurgy, with Automotive
receiving Silver

<0.1

Group Accident
Frequency Rate

2023 reporting suite



See our Sustainability
Report 2023



Visit our website:
dowlais.com

Engineering Transformation

Pages 24, 28, 32, 38, 43, 62 and 77 of this Strategic Report showcase some of our innovative products, including products where we are market leaders, and newer products and technologies we are bringing to market.

1. All adjusted financial measures and explanation about our use of Alternative Performance Measures (APMs) can be found on page 190.
2. At constant currency, as defined on page 192.
3. Science Based Targets initiative.

OUR STORY

SINCE 1759, OUR BUSINESSES HAVE POWERED CHANGE



1759

Dowlais Ironworks founded

The Ironworks is founded in Dowlais, South Wales, and quickly starts producing 1,000 tonnes of iron each year.



1947

Moving into the automotive industry

The nationalisation of its collieries prompts the business to diversify and start producing propeller shafts and constant velocity joints.



1988

Expanding global reach

GKN Automotive becomes the first Tier 1¹ automotive supplier to establish a joint venture in China. This joint venture, known as SDS, becomes the leading driveshaft supplier for the rapidly growing Chinese market.

1. See Glossary on page 198.



2011

Growing all-wheel drive (AWD) expertise

GKN Automotive invests significantly in its all-wheel drive capabilities, strengthening its position as the leading supplier of drive systems for light vehicles.



1902

Forging Guest, Keen and Nettlefolds

A series of deals, takeovers and mergers in the early 20th century, including the purchase of Dowlais Iron Co., leads to the creation of Guest, Keen and Nettlefolds (later rebranded as GKN). By 1905, this was the largest iron, steel and coal group in the UK.



1966

Pioneering new technology

Following acquisitions, GKN Automotive enhances its constant velocity joint expertise and pioneers its use in front wheel drive cars like the Mini.



1997

Growth of Powder Metallurgy

The expansion of the GKN Powder Metallurgy business starts in earnest with a series of international acquisitions that significantly grow its capabilities.



2023

Establishing Dowlais

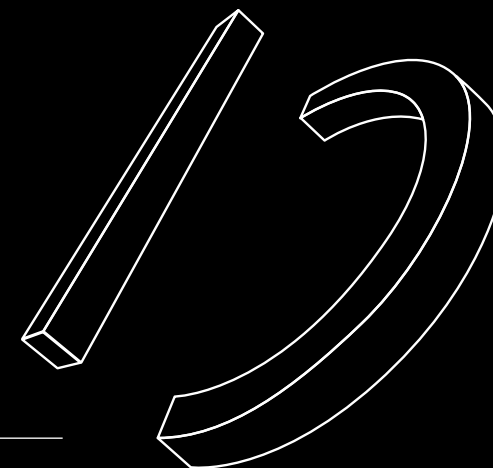
Dowlais Group plc lists on the London Stock Exchange. The Group comprises GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen.

WE ARE DOWLAIS

We are a specialist engineering group focused on the automotive sector

We generate growth through a portfolio of transformative and innovative businesses

We develop exceptional products that drive transformation in our world



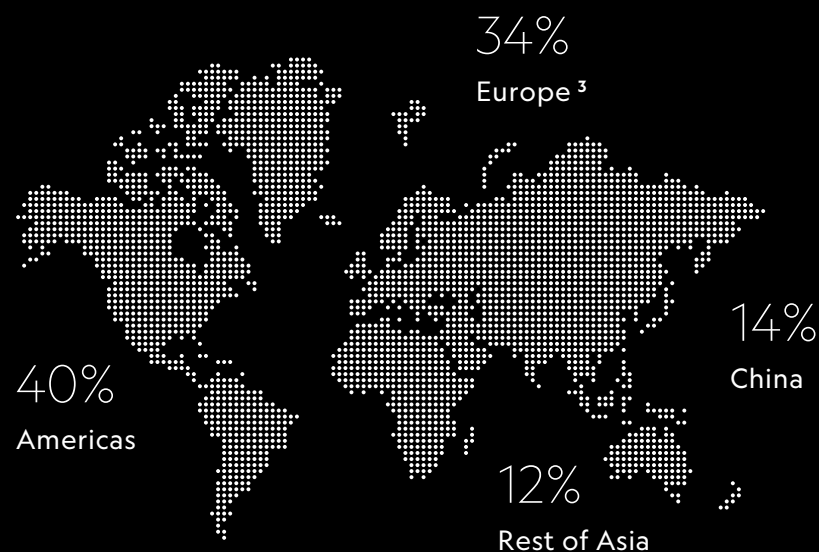
DOWLAIS AT A GLANCE

#1 global drive system supplier ¹	#1 sinter metals supplier	77 manufacturing facilities	19 countries
		>30,000 employees globally ²	
>95% of global OEMs ¹ served	>50% of all light vehicles ¹ worldwide contain our technology	£5,489m adjusted revenue	

1. See Glossary on page 198.

2. Total employees of the Group's undertakings, including its non-consolidated joint ventures.

REVENUE BY REGION



3. Includes Europe, Middle East and Africa (EMEA).

WHAT WE DO

EVERY BUSINESS IN OUR PORTFOLIO IS A MARKET LEADER

GKN AUTOMOTIVE

The world leader in drive systems and a trusted partner to global automotive manufacturers.



Driveline product group¹
Sideshafts | Propshafts

ePowertrain product group¹
AWD Systems | eDrive Systems
ePowertrain Components

GKN Automotive is the market leader in sideshafts, propshafts, AWD systems and advanced differentials. Its products drive the wheels of around half the world's light vehicles, and it has been a pioneer in the development of eDrive systems, remaining at the forefront of electric vehicle powertrain technology.

1. See Glossary on page 198.

#1	~50%	>90%
market leader in sideshafts, propshafts, AWD systems, advanced differentials	of all light vehicles use its technology	of global OEMs served

→ See pages 25 to 27 for more information

GKN POWDER METALLURGY

A global leader in powder metallurgy, creating precise, sustainable products for the automotive and industrial sectors.



Sintered Metal Components | Metal Powders
Additive Manufactured Components

GKN Powder Metallurgy is the world's leading producer of sintered metal products and a world-class manufacturer of atomised metal powders. Its sustainable technology enables the production of parts with complex geometries, higher densities and improved physical properties.

#1	~10m	>3,000
market leader in sintered metal components	components produced per day	customers worldwide

→ See pages 29 to 31 for more information

GKN HYDROGEN

The leader in metal hydride storage, providing innovative solutions to the hydrogen and energy storage markets.



Hydrogen storage systems
Power-to-power energy storage systems.

GKN Hydrogen is pioneering solutions for storing hydrogen and electricity. Using innovative metal hydride-based technology, it develops and manufactures storage systems which are green, safe and emission-free, helping support the world's journey to net zero.

#1	27	>10
market leader in metal hydride hydrogen storage technology	systems installed	years of experience in the hydrogen storage market

→ See pages 33 to 34 for more information

STRATEGIC FRAMEWORK

We have a clear purpose: Engineering transformation for a sustainable world. This forms part of our wider Strategic Framework within which our purpose, our strategy and our values are aligned.

OUR PURPOSE

Engineering transformation for a sustainable world.

OUR STRATEGY

We are a portfolio of market-leading, high-technology engineering businesses that advance the world's transition to sustainable vehicles.

Lead

Market leadership and industry-leading financial performance.

Transform

Technological innovation to enable a net zero economy.

Accelerate

Sustainable organic growth and disciplined M&A.

OUR VALUES

Agility

We have a lean central structure and fast, clear decision making; we move at pace and respond quickly to opportunity.

Accountability

We make things happen, get things done and deliver on our commitments; we are accountable for our actions and act responsibly and with integrity.

Ambition

We set ambitious goals to realise the full potential of our businesses; we find opportunities to apply our expertise in new ways and in new markets.

CREATING VALUE IN ENGINEERING TRANSFORMATION

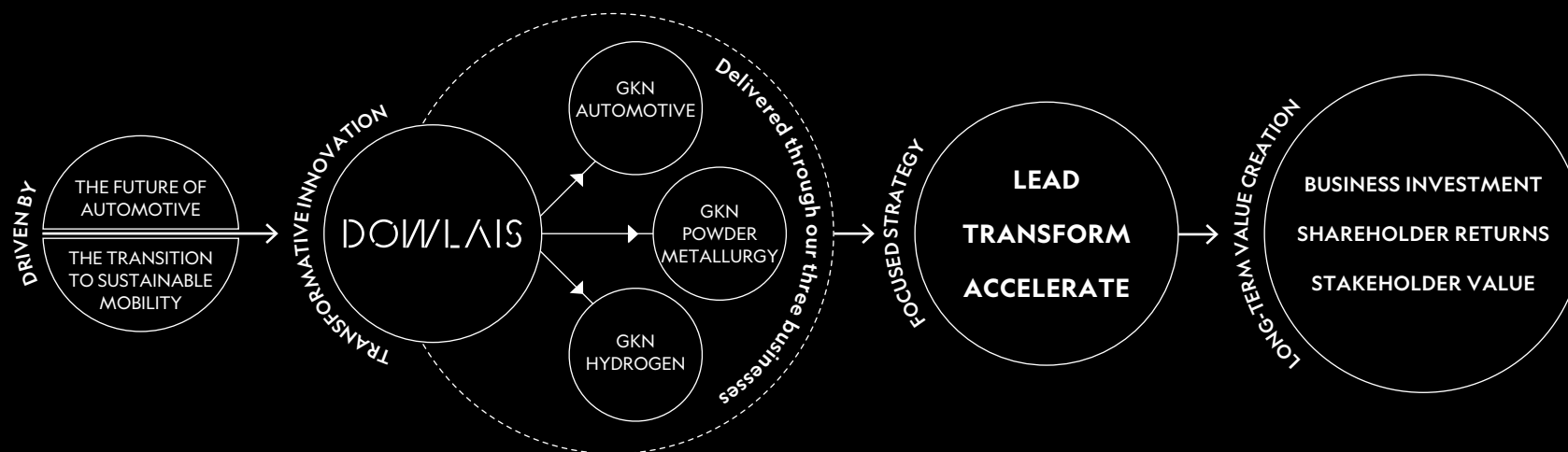
Dowlais is a portfolio of market-leading, high-technology engineering businesses that advance the world's transition to sustainable vehicles

Guided by our purpose

Engineering transformation for a sustainable world

Inspired by our values

- Agility
- Accountability
- Ambition



Dowlais' value proposition

- A highly experienced team of automotive leaders
- A diversified portfolio of market-leading businesses
- A relentless focus on achieving industry-leading financial performance
- Strong commitment to sustainability
- Flexibility to complement organic growth with strategic acquisitions
- A culture of fast, bold decision making

What sets our businesses apart

- Trusted brands with strong heritage
- Market-leading positions
- Compelling product portfolios aligned to the transition to electrification
- Industry-leading technologies
- Strong, lasting relationships with global customers
- Talented and committed workforce
- Global vertically-integrated manufacturing footprint, delivering quality products at scale
- Sustainable practices embedded throughout our operations

Focused strategy for growth

- **Lead**
Market leadership and industry-leading financial performance
- **Transform**
Technological innovation to enable a net zero economy
- **Accelerate**
Sustainable organic growth and disciplined M&A

Value created and shared

- **Our People:** inspired by our shared purpose and proud of our inclusive working environment
- **Society and Communities:** supporting a nature-positive, net zero and just transition
- **Our Customers:** long-lasting technology partnerships
- **Our Suppliers:** growing together responsibly
- **Our Investors:** a clear dividend policy and a commitment to generate value

See pages 39 to 42 for more information about our stakeholders

A PORTFOLIO OF MARKET-LEADING, HIGH-TECHNOLOGY ENGINEERING BUSINESSES



Simon Mackenzie Smith
Chair

In April 2023, Dowlais was admitted to the London Stock Exchange (LSE) and a new chapter in the proud history of our world-leading businesses began. I am very privileged to serve as Dowlais' first Chair as it begins life as an independent company. Dowlais' heritage dates back to the industrial revolution, but our technology has never been more relevant than it is today. We are delivering cutting-edge innovation, at the very heart of the automotive industry, during the most dynamic period of change since the creation of the car.

Our Board

I am delighted with the calibre of the talented, experienced and diverse Board we have been able to assemble. In our CEO, Liam Butterworth, and CFO, Roberto Fioroni, we have two leaders with decades of experience in automotive and a proven record of improving the businesses they lead. Together with our Non-Executive Directors, we have a team with a broad and relevant range of skills and experience. Our Board members have many years of executive and non-executive experience, across numerous listed companies and industries.

As a Board we are committed to ensuring that Dowlais operates with the highest standards of corporate governance. Our Board took part in a detailed induction process to ensure that we fully understand our businesses, strategy and markets. We have also established the Board Committees required by the UK Corporate Governance Code: our Remuneration Committee, chaired by Celia Baxter; Audit Committee, chaired by Philip Harrison; and Nomination Committee, which I chair. Finally, we have ensured that Dowlais' governance processes allow our businesses the freedom to operate at pace, whilst maintaining an appropriate level of Board oversight and control.

Following the smooth separation from Melrose, Simon Peckham stepped down from the Board and Geoffrey Martin will not stand for election at our first AGM. Alexandra Innes will also not stand for election at the AGM. I would like to thank them all for their very valuable contributions to Dowlais. In light of these changes, the Nomination Committee has commenced a process to review our Board composition.



See pages 82 and 83 for
more details on our Board



See pages 91, 97 and 99 for Reports
from our Committee Chairs

Our purpose and strategy

Transformation is a fundamental part of Dowlais. It is reflected in our heritage, in how we operate and in our strategy for future value creation. Our businesses are helping our customers transform the industry, creating engineering solutions critical to the vehicles which allow sustainable mobility in our world. We also continue to transform our own businesses to ensure our operations are efficient and sustainable. During the past five years significant progress has been made to restructure and improve our businesses, positioning them to go on to achieve the level of financial performance they deserve.

All this informed our new purpose: Engineering transformation for a sustainable world. Agreeing this purpose and our strategic framework was one of our first tasks as a Board this year.

Looking ahead, the Board will continue to drive our businesses to adapt, innovate and transform, improving their operations, products, processes and performance. This appetite for continuous improvement is reflected in our values: Agility, Accountability and Ambition.

 **See page 4 for our Strategic Framework**

Progress over the year

I would like to thank everyone who was involved in the demerger and listing of Dowlais in April 2023 and all employees across our businesses for their hard work this year. Whilst the demerger and the creation of Dowlais was, of course, a significant task, it did not distract the Group and our people from our most important priority of successfully managing and improving our businesses. Throughout the year, our management teams and workforce have remained relentlessly focused on this goal and 2023 has been a year of progress in all our businesses. We have seen meaningful margin improvement and significant bookings in GKN Automotive; GKN Powder Metallurgy is a market-leading business where continued focus is required to successfully navigate the transition to EVs and develop its portfolio; and GKN Hydrogen's innovative technology is starting to gain real commercial traction.

Our people

We employ over 30,000 people worldwide, each of whom plays a crucial part in helping us achieve our purpose and deliver our strategy. I have been privileged to be able to meet some of our employees this year, including when the Senior Independent Director, Celia Baxter and I visited our Automotive manufacturing facility in Oleśnica, Poland in October 2023 and the Board visited our Automotive and Powder Metallurgy facilities in Italy in February 2024. On each occasion I have been struck by the pride that our employees have in working for our businesses and delivering products with the highest levels of quality, where and when our customers need them. I look forward to engaging with more of our people throughout 2024.

When it comes to our people, health and safety is our most important consideration. We have a good track record, as evidenced by our low Accident Frequency Rate of less than 0.1, but we must never become complacent. This year our businesses have been very focused on behaviour-based safety initiatives. We can only maintain our strong safety record if our people continue to exhibit the right behaviours and raise issues of concern whenever they see them. As a Board we have been kept regularly updated on the Group's health and safety management and performance and this will be an area of continued focus for us.

We also want to ensure that Dowlais is an inclusive and diverse organisation, where our people have the opportunity to develop and grow. Our management teams are relentlessly focused on talent, allowing our people to reach their full potential, grow in their roles and expand their responsibilities. We are also making progress on improving our diversity, but there is still much to do, in particular to ensure that we can attract and retain female talent to our industry and our Company.

Finally, this year the Board also approved Dowlais' first employee code of conduct, Our Code, which sets out the standards of behaviour we expect of all our employees. It explains how we respect and protect each other and our business, behave ethically and lawfully, and care for our communities and our world. We have high expectations of ourselves and I have confidence we can meet them.

 **See pages 63 to 66 for more details on Our People**

Our impact

I am delighted that, alongside this Annual Report, we have been able to publish our dedicated Sustainability Report, which I encourage you to read.

Sustainability is at the heart of Dowlais. Our sustainability principles are built on the foundations already established in our businesses prior to the creation of Dowlais and support the behaviours needed to drive positive change. This means not only contributing to the transition to a net zero economy through our products and technologies, but also placing sustainability at the heart of how we run our businesses, manage our supply chains and recruit and develop our people.

This year the Board reviewed the Group's sustainability strategy, including the role of sustainability in the automotive sector, how our performance compares to our peers, the output of our materiality assessment and our immediate priorities for the following year. We view sustainability as a topic which the Board as a whole must 'own', and we plan to regularly review progress as we move forward and make progress on our targets.

 **See pages 35 to 70 and our dedicated Sustainability Report for more details on our approach to sustainability**

Looking ahead

Our achievements this year reflect the hard work, talent and determination of all our people across the world. My thanks go to all of them.

Looking ahead, this work continues as we move forward on our journey to realise the full potential of our market-leading businesses, achieve our margin targets and continue to play our part in engineering transformation for a sustainable world. The Board and I look forward to making continued progress in 2024.

FINANCIAL AND STRATEGIC PROGRESS IN OUR FIRST YEAR

Liam Butterworth
Chief Executive Officer



I am delighted to be able to present our first Annual Report to all of our stakeholders. It reflects a year in which we have made significant progress as a new Group across all of our businesses.

Dowlais commenced trading in April 2023, with completion of the demerger process and our admission to the main market of the LSE. I would like to express my gratitude to everyone involved in the smooth execution of that process and establishing the foundations for a very exciting future for the Group. I am incredibly proud to be Dowlais' first Chief Executive Officer, having previously led our GKN Automotive business. We have a portfolio of outstanding businesses and an exciting future ahead of us.

Our leadership teams and our people

I have a strong conviction that the success of any organisation depends on having the right people, in the right roles and creating the right environment for them to succeed. I am therefore delighted to have been able to assemble such a strong leadership team to drive the Group forward. In our Group Executive Committee and Business Unit Executive Teams, we have an outstanding management team with a proven track record of delivery. We have been able to build on our businesses' existing high-calibre teams with fresh talent, both by promoting from within and selective external appointments. This includes the Dowlais central functions, which we successfully established following the demerger. These teams lead over 30,000 colleagues across our businesses, in 19 countries, each of whom has played a key role in our first year of financial and strategic progress. I would like to thank everyone for their hard work and for helping us achieve our goals this year.

Our strategy

Dowlais' purpose, engineering transformation for a sustainable world, is shaped by our ambition to make a positive impact on the world through product innovation and technology. Our strategy, which has been defined in service of this purpose, is clear and focused on three pillars; Lead, Transform, Accelerate. You can read more about our strategy on pages 10 to 15.

2023 Group performance

In 2023 we continued to execute strongly to make progress on our three key priorities:

Margin expansion: Group adjusted revenue was £5.5 billion, growing 6.3% year-on-year at constant currency. This growth was driven by increased light vehicle production volumes and inflation-related price increases. Our long-term focus on profitability, with a rigorous discipline on pricing, sometimes at the expense of volume, delivered improved margins, with adjusted operating profit of £355 million, representing a year-on-year increase of 10% at constant currency and an adjusted operating profit margin expansion of 30bps. This was achieved despite ongoing inflationary headwinds, and the impact of the UAW strike in the US. This resulted in a drop-through margin of 29% at constant currency. Excluding the impact of incremental stand-alone plc costs, adjusted operating profit grew year-on-year by 20%, with adjusted operating profit margin expanding by 90bps, in each case at constant currency.

Cash generation: The Group reported a free cash flow of £45 million for the year and reduced net debt to £847 million. Free cash flow was impacted by non-recurring costs of £48 million

related to the demerger. Excluding these non-recurring costs the Group generated £93 million of adjusted free cash, ahead of our expectations. Strong execution and a rigorous approach to working capital management supported our cash performance. When combined with an increase in adjusted EBITDA, the Group's leverage ratio reduced to 1.4x from a pro forma position of 1.5x as at the date of demerger. This has been achieved whilst continuing to invest in organic growth, new production facilities and executing ongoing restructuring programmes.

Portfolio transition: Our businesses remain well positioned to benefit from the long-term electrification of the automotive industry. Whilst the pace of change has accelerated in recent years, it continues to be volatile. We will therefore continue to maintain a pragmatic approach to investing in our portfolio to ensure we remain well balanced and able to track the pace of transition of our customers' vehicle platforms. Progress in securing new business which supports our transition, was made across the Group. Automotive had a record bookings performance with contracts totalling over £6 billion of forecast lifetime revenue awarded, well balanced across its Driveline and ePowertrain product groups. This represents an outstanding achievement, with 74% of those bookings on EV platforms. In Powder Metallurgy, work to successfully navigate the transition progressed, with 72% of new business bookings for propulsion source agnostic products (by forecast peak annual revenue) and continued progress on promising new product segments including magnets and iron powder for lithium iron phosphate (LFP) batteries.

Operational highlights

Our businesses continued to demonstrate positive operational performance throughout the year. The operational strength of our businesses was demonstrated by their ability to successfully navigate the impact of the UAW strike action in the US during September and October. The impact of the strike was approximately £30 million of revenue and £10 million of adjusted operating profit. We are pleased with how our businesses were able to respond to the resulting shutdown of many OEM plants, while at the same time mitigating the impact on our people and maintaining high standards of quality and delivery.

Automotive has continued to drive operational efficiencies by improving the cost base of its manufacturing operations, most notably with the announcement of the closure of its Mosel, Germany plant, the opening of its new manufacturing facility in Hungary in September and the major expansion of its production facilities in Mexico, which proceeded according to plan. Automotive also recently announced the closure of its plant in Roxboro, North Carolina, which will be completed by the end of 2024 and was factored into our previous cashflow assumptions. These developments will ensure that the business continues to have a competitive manufacturing footprint to serve its customers in Europe and the Americas, supporting our margin improvement targets. Powder Metallurgy has continued to improve its operational performance, increasing automation, optimising its US footprint and expanding its operations in Mexico. A change of leadership for the Powder Metallurgy business was made subsequent to the year-end, with the appointment of Jean-Marc Durbuis as new CEO on 11 March 2024. GKN Hydrogen continued to make good commercial progress, with a notable increase in revenue and 16 of its innovative hydrogen storage systems installed in the year, demonstrating its capability with larger capacity installations for a range of use-cases. Our focus on quality and delivery saw the Group deliver low single-digit parts-per-million (PPM) defect rates across the portfolio, and a good health and safety performance across the Group.

Engineering transformation for a sustainable world

During the period, we continued to make progress with our sustainability agenda and are delighted that alongside our Annual Report we have published our first stand-alone Sustainability Report. Sustainability is at the heart of Dowlais, embedded in our purpose and strategic framework. We are delivering the technological innovation required to enable a net zero economy, whilst embedding sustainable practices throughout our organisation to minimise our direct impact. In 2023, the Group's Scope 1 and Scope 2 emissions fell by 6.4% against a 2022 baseline, while both Automotive and Powder Metallurgy submitted science-based targets to the Science Based Targets initiative (SBTi) for validation in the year. Both business units were also recognised with improved EcoVadis ratings, with Automotive achieving a silver medal and Powder Metallurgy a platinum medal, the latter being only awarded to the top 1% of companies assessed.

Outlook

Group

As we look forward, current industry forecasts imply a slight decline in global light vehicle production in 2024. Based on these external forecasts and our current order book, we anticipate Group revenues will be similar to the prior year, at constant currency, with a modest year-on-year reduction in the first half offset by an improvement in the second half due to the expected timing of several new programme launches. On this basis, and with our strong continued focus on operational efficiencies, we expect to further expand operating margins and grow free cash flow in 2024. As with revenue, we expect operating profit to be modestly second half weighted, with cash generation also more skewed to H2 in 2024.

Automotive

GKN Automotive's priorities remain unchanged: continued margin expansion; technology development to support the transition to electrification; and sustainable, profitable growth. The 2024 revenue outlook is consistent with the Group. Encouragingly, we expect adjusted operating margins to expand further building on the good momentum delivered in H2 2023 and supported by prior year actions to enhance operational efficiency. In the medium-term and based on current industry light vehicle production forecast growth, we expect Automotive to achieve its adjusted operating profit target of 10%+. Of the incremental c.300 bps operating margin expansion required to achieve this, we expect approximately two thirds to result from ongoing operational efficiencies, largely underpinned by announced restructuring, and the remaining one third to come from revenue growth.

Powder Metallurgy

Powder Metallurgy continues to focus on transitioning its portfolio, winning new business and ensuring higher levels of efficiency across its manufacturing operations. As a result, we expect revenues in 2024 to be similar to the prior year, based on new customer product launches, with performance more closely aligned with the market. We expect this trend to continue over the medium term. We also expect adjusted operating margins of approximately 10%. Longer term, with a renewed focus on expanding the range of applications for its products, we expect the business to be able to return to growth with the potential for higher operating margins.

LEAD

MARKET LEADERSHIP AND INDUSTRY-LEADING
FINANCIAL PERFORMANCE

LEAD

Dowlais has a group of market-leading businesses and is on track to industry-leading financial performance

Our strategy is to lead, both in our position within our product markets and in our financial performance against our peers. Market leadership in our core product lines allows us to provide superior value to our customers. It enables the scale, production efficiencies, deep customer relationships, operational flexibility and resilience that are increasingly necessary to succeed in our industry. When combined with operational excellence, financial discipline, and bold, decisive management, it will deliver sector-leading financial performance.

Maintaining and enhancing our market-leading positions

Our businesses are leaders in their chosen markets. Our two main businesses, GKN Automotive and GKN Powder Metallurgy, are both global market leaders in their core product segments. This is demonstrated by the fact that across the world, hundreds of millions of vehicles are powered by their technology every day. GKN Hydrogen is the world leader in metal hydride storage solutions. Our goal is to maintain and enhance these leadership positions, to ensure that we remain an integral part of our customers' businesses and a critical player in our industries.

Driving margin expansion and cash generation

Market leadership and growth are essential to delivering shareholder value. We drive our businesses to fulfil their potential to deliver industry-leading financial performance, both in terms of operating margin and cash generation. This requires a relentless focus on operational excellence; adopting world-class manufacturing, commercial and procurement processes; and applying a rigorous approach to cash management. We invest to create value, and we empower our management teams to act with pace, take bold decisions and deliver their commitments.

6.3%

year-on-year adjusted revenue growth ²

30 bps

year-on-year adjusted operating margin expansion ²

£93m

adjusted free cash flow

1. See the Market Review on pages 16 and 17 for more details on these customer groups.

2. At constant currency, as defined on page 192.

GKN AUTOMOTIVE

Leading in its key product markets and delivering year-on-year margin improvement

GKN Automotive is synonymous with market leadership, having been at the forefront of the automotive industry for generations. Its Driveline product group is the market leader in sideshafts and propshafts, and its ePowertrain product group is the world's leading supplier of all-wheel drive systems and advanced differentials. The business's scale, breadth and capability has helped it develop deep and longstanding relationships across the automotive industry with traditional OEMs, Chinese OEMs and pureplay EV OEMs¹.

#1

automotive sideshafts and propshafts supplier

#1

AWD systems and advanced differentials supplier

90%

of global light vehicle manufacturers served



See pages 25 to 27 for more information on GKN Automotive's performance in 2023

GKN POWDER METALLURGY

A market leader in powder metallurgy, from powder to parts, via an integrated manufacturing model

From powder to parts, GKN Powder Metallurgy is at the forefront of its industry. No other powder metallurgy business has such a broad scope of capability, both as a leading supplier of metal powders and as the world's largest sintered metal components manufacturer. GKN Powder Metallurgy helps customers to optimise complex components for powder metal processes by using its world-class engineering expertise to design and develop parts that are consistently lighter, stronger and more efficient. This engineering expertise is supported by a digitised manufacturing process that includes over 1,800 digitally connected production machines, producing over 10 million parts per day.

#1

sintered metal components supplier

#2

metal powder supplier

>10m

components produced per day



See pages 29 to 31 for more information on GKN Powder Metallurgy's performance in 2023



See pages 33 and 34 for information on GKN Hydrogen's performance in 2023

TRANSFORM

TECHNOLOGICAL INNOVATION TO
ENABLE A NET ZERO ECONOMY

TRANSFORM

We are transforming our businesses and we are contributing to the wider transformation of the automotive industry

A history of transformation

Our origins date back to 1759 and a pioneering ironworks in Dowlais, South Wales. Over the decades, our businesses have transformed themselves many times over. Today, we are helping enable a net zero economy by playing a key role in supporting our customers' transition to electric vehicles.

Transformation as a way of working

For Dowlais, transformation is not just a process, it is a way of working and a state of mind. Continuous improvement is fundamental to how we operate and includes transformation in our operations, where we are digitising and streamlining our manufacturing processes; in our manufacturing footprint, where we have re-balanced and re-positioned ourselves to improve our competitiveness; and in our products, where our innovation will help drive the vehicles of the future.

Innovation as a competitive advantage

Product and process innovation is core to everything we do and is essential to protect and grow our market-leading positions. Through our extensive engineering capabilities, we help our customers create the next generation of vehicles, and ensure our products are manufactured efficiently, sustainably and to the highest quality, wherever they are needed around the world. We are curious and agile, focusing our resources where they have the greatest impact. We also protect our innovations through an extensive portfolio of patents and other intellectual property.

Driving transformation of the automotive industry

We are in the most significant period of change for the automotive industry since the invention of the car. The pace of transformation is rapid but not always predictable. Our balanced product portfolio and our proximity to our customers enable our businesses to influence and adapt to that pace of change, ensuring we transition according to the needs of our customers and the wider automotive market. Our prudent and balanced approach to investing in products and technologies gives us the flexibility to adapt to these dynamic market changes.

1. See the Glossary on page 198.

2. See page 27 for more details.

GKN AUTOMOTIVE

Investing in market-leading technology and its global engineering capabilities

As the global leader in drive systems, GKN Automotive continues to invest in its world-class technology. In its core sideshaft portfolio, it has invested in products optimised for use in EVs¹, which have different requirements for torque, efficiency and acoustics than those used in ICE¹ vehicles. The business offers an extensive range of driveshafts manufactured at a scale unmatched by its competitors. It is also the global market leader in all-wheel drive systems and advanced differentials that have formed the foundation of a portfolio of eDrive systems and products. It has supplied over two and a half million eDrive systems and this progress will continue in 2024 as the business prepares to launch its first 3-in-1 integrated eDrive system for a major global OEM. In 2023 GKN Automotive continued to expand its engineering and technological capabilities, with further investment in its engineering centres in Mexico, Poland, India and Hungary. The year also saw GKN Automotive achieve full ASPICE Level 2 certification² at eDrive system level, which is a key enabler for developing eDrive system software.

74%

of 2023 bookings on EV platforms

6

technology centres globally

>1,800

patents granted or pending

GKN POWDER METALLURGY

Developing new products to support the transition to EVs

The world's leading power metallurgy business, GKN Powder Metallurgy, is solving complex challenges in automotive and industrial markets through best-in-class sustainable and innovative powder metallurgy technology. In recent years, GKN Powder Metallurgy has expanded its core capabilities to suit the needs of future automotive and industrial applications. It has also added exciting new technologies to its portfolio, some of which are critical to enabling the shift to electrification. These include powders for use in lithium iron phosphate (LFP) batteries and permanent magnets for electric motors. In 2023, the business supplied its first customer with powder for LFP batteries, and installed its first magnet production line, establishing a foothold in these promising new product segments.

72%

of 2023 bookings on propulsion agnostic products

3

technology centres globally

>680

patents granted or pending

ACCELERATE

SUSTAINABLE ORGANIC GROWTH
AND DISCIPLINED M&A

ACCELERATE

We are accelerating our business through sustainable, profitable organic growth that creates shareholder value

The global automotive market is expected to grow in the medium term, with a forecast increase in global light vehicle production of 5% between 2023 and 2028. We also expect changes in our customers' requirements to result in increased content per vehicle for our core products. We aim to benefit from that growth, but always in a sustainable way that does not compromise our core profitability objectives. We have a clear portfolio strategy, based on businesses that are leaders in their product markets. We are well placed to capitalise on the expected increase in underlying demand, grow our share of existing product markets and increase our content per vehicle.

Identified growth segments that will benefit from the EV transition

We have invested in growth segments that we expect to profitably benefit our business as the global transition to electrified vehicles takes place. These include products like sids shafts, where we expect content per vehicle to increase on EVs, eDrive systems and ePowertrain components, permanent magnets for electric motors and powder for LFP batteries. We expect these and other opportunities to more than offset the decline in other types of product and contribute to our growth and profit objectives.

A prudent, disciplined approach to M&A opportunities

We will explore opportunities for value-accretive M&A, whether via consolidation in existing segments or entry into adjacent markets, and consider disposals where they make sense. We will be disciplined in our approach and pursue opportunities only when we believe they are compelling and are confident they will create shareholder value.

5%

forecast growth in global light vehicle production between 2023 and 2028

215%

forecast growth in global EV production volumes between 2023 and 2028

26%

points forecast growth in global EV penetration rate between 2023 and 2028

1. At constant currency, as defined on page 192.

2. By forecast lifetime revenue.

3. By forecast maximum in-year revenue.

GKN AUTOMOTIVE

A record year of bookings, with systemic growth in its core product portfolio and progress in the rapidly growing eDrive systems market

GKN Automotive continues to demonstrate its strong growth potential, having secured significant new business in 2023, in what was a record year of bookings. Unlike many of its peers, GKN Automotive has a propulsion source agnostic core portfolio, with electrification expected to increase sids shaft content per vehicle, both in terms of component value and number of shafts per vehicle. In addition, the business is now seeing significant growth in the eDrive systems market, in which it has been a leading player for decades thanks to its market leadership in AWD systems. Its strategy continues to capture profitable growth, by selectively developing programmes where it can add significant value through high-technology engineering. This was demonstrated by the business securing a new contract for a 3-in-1 eDrive system, fully designed by GKN Automotive, for use in a high-performance sports utility vehicle (SUV).

7.0%

year-on-year revenue increase ¹

>£6bn

new business awarded ²

1.4

book-to-bill ratio ³

GKN POWDER METALLURGY

Progress in new technologies with significant growth potential

GKN Powder Metallurgy's revenues also grew year-on-year in 2023. Over time, certain of its products which are supplied for use in ICE vehicles will gradually decline due to the transition to EVs and downsizing of combustion engines. The business has identified new products where demand is expected to increase and is pursuing opportunities in wider industrial markets beyond its core automotive segment. By carefully navigating the transition, we expect the business to secure long-term profitable growth and reinforce its position as the world's leading powder metallurgy business.

3.5%

year-on-year revenue increase ¹

>£120m

per annum new business awarded ³

>3,000

customers supplied in the year

GLOBAL AUTOMOTIVE MARKET OVERVIEW

Dowlais' businesses are market-leading suppliers to the Automotive sector, with approximately 95% of Group revenues directly attributable to the sale of automotive components.

GKN Automotive typically supplies components directly to OEMs and is therefore what is known in the Automotive industry as a Tier 1 supplier. GKN Powder Metallurgy supplies both OEMs and Tier 1 suppliers.

The vast majority of components supplied by both GKN Automotive and GKN Powder Metallurgy are for light vehicles, which means passenger cars and light trucks up to 6 tonnes in weight. In 2023, the total number of light vehicles produced globally is estimated to have been 90.3 million, a 10% increase on the number manufactured in the prior year.

Regionally, the world's largest manufacturer of light vehicles in 2023 was Asia, with China producing 29 million vehicles and the rest of Asia 22.5 million vehicles. This was followed by EMEA (20.1 million vehicles) and the Americas (18.6 million vehicles). In 2023, production in China grew year-on-year by 10%, compared to 9% in the rest of Asia, 11% in EMEA and 9% in the Americas.

In 2024 global production growth is expected to be broadly flat, at 90 million vehicles, but longer-term industry forecasts are for further growth in global light vehicle production, with absolute growth of 5% forecast between 2023 and 2028.



Market Data Source

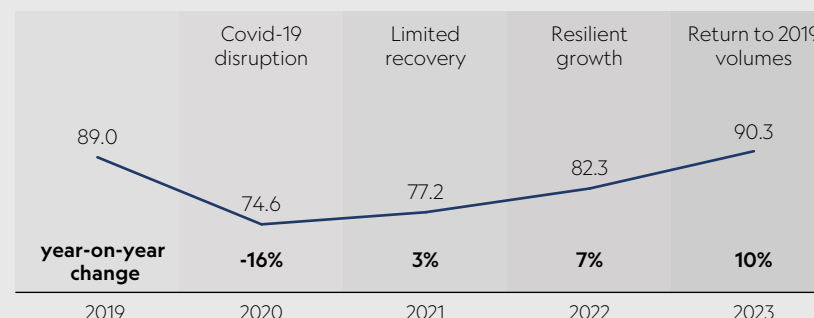
All references in this Annual Report to historical and forecast global light vehicle production volumes are based on S&P Global's mobility forecast, February 2024.

Global light vehicle production over the past five years

In recent years, global light vehicle production volumes have been adversely impacted by a number of global and regional macroeconomic factors, most notably the Covid-19 pandemic which began in 2020. The industry has since recovered and underlying consumer demand for vehicles remains strong.

- **2020:** The Covid-19 pandemic caused an unprecedented drop in vehicle production levels. The industry saw a 16% drop in vehicle volumes, taking it back to output levels not seen since 2010.
- **2021:** Volume recovery was limited due to lingering, localised Covid-19 outbreaks, supply chain bottlenecks and semiconductor shortages.
- **2022:** Healthy consumer demand coupled with the easing of semiconductor pressures enabled moderate growth, but annual production volumes remained 8% below 2019 levels.
- **2023:** Further recovery saw the industry return to 2019 levels, albeit with a different regional mix, as manufacturers satisfied order backlogs and re-built inventories. Labour negotiations in the US slightly reduced volumes, as the UAW led strike action against the three largest North American OEMs.

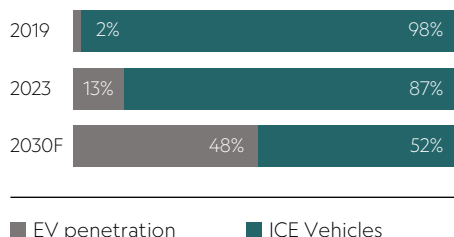
Global light vehicle production (million units)



The three automotive industry trends most relevant to Dowlais and how we are responding.

ELECTRIFICATION

Global EV penetration forecast



It is generally recognised that four “mega-trends” are currently driving technological change in the automotive industry. These are connected vehicles, autonomous driving, shared mobility and electrification. For Dowlais, electrification is the most relevant to our current product portfolio.

The electrification trend and global growth in EV production have been primarily driven by global regulation. Many governments have introduced laws aimed at reducing carbon emissions created by the use of ICE vehicles by imposing penalties on the production of those vehicles and introducing

incentives to encourage the production and sale of EVs. This has resulted in EVs now representing an increasingly material share of the light vehicle market. In 2023, approximately 12 million EVs were manufactured globally, which represents a penetration of approximately 13%. This is an increase from 11% penetration in 2022 and represents a year-on-year volume growth of 34%. Regionally, the highest share of EV production can currently be found in China (25% in 2023), followed by Europe (11%) and North America (7%). Forecasts suggest that this EV market penetration will increase to approximately 48% globally by 2030.

How Dowlais is responding

GKN Automotive has a propulsion source agnostic core sideshaft portfolio that will benefit from increased content on EV platforms. Its ePowertrain product group is also well positioned to deliver profitable growth from the shift to electrification. GKN Powder Metallurgy is actively expanding its product portfolio to grow its offering of components for EVs. The business has had commercial success with a number of “EV ready” components, including sintered magnets for electric motors and metal powder for LFP batteries.

CUSTOMER LANDSCAPE



When we consider our vehicle manufacturer customers, we group them into three broad categories: traditional OEMs, Chinese OEMs and pureplay EV OEMs.

Traditional OEMs, are the incumbent global manufacturers, who produce both ICE and EVs. They accounted for approximately 78% of global light vehicle production in 2023. Chinese OEMs are local Chinese manufacturers who operate independently from the traditional OEMs. They were

responsible for approximately 20% of global light vehicle production in 2023. Finally, pureplay EV OEMs are more recent market entrants with a strategy to only produce EVs. They are a smaller segment of the market, accounting for approximately 2% of global light vehicle production in 2023.

Both Chinese and pureplay EV manufacturers have increased their market share in recent years and this trend is forecast to continue in the medium term.

How Dowlais is responding

GKN Automotive and GKN Powder Metallurgy are global automotive market leaders and therefore have relationships with almost every traditional OEM. Both businesses also have a meaningful operational presence in China and longstanding relationships with Chinese OEMs. Finally, they have also developed commercial relationships with all the prominent pureplay EV OEMs worldwide.

GEOPOLITICS



The automotive industry is truly global in nature, and is therefore affected by global events. A number of geopolitical factors influenced the industry and global light vehicle production during 2023. Global supply chains have overcome some of the restraints seen in recent years (as referenced on page 16) and demonstrated increased resilience, which has helped support production growth in the industry in 2023. This growth was further supported by strong consumer demand for new vehicles.

The wars and conflicts in Ukraine and the Middle East have affected certain parts of the automotive supply chain, although the overall impact on the industry and on Dowlais has so far been relatively minor. Finally, the trend for governments to adopt more protectionist trade strategies, and increasing de-globalisation, means that many OEMs and suppliers are increasingly focused on supply chain localisation, to reduce risk including the risk of additional international sanctions, tariffs and other trade restrictions.

How Dowlais is responding

With 77 manufacturing facilities across 19 countries, Dowlais has a truly global footprint. Although their supply chains are highly efficient, resilient and routinely optimised, both GKN Automotive and GKN Powder Metallurgy have continued to localise their supply chains during 2023 and plan to continue to do so in future years. In addition, both businesses have Chinese operations which are almost entirely dedicated to serving the local Chinese market. De-globalisation can also bring opportunities, as customers look to secure their supply chains.

MEASURING OUR PERFORMANCE

Financial KPIs

Our financial KPIs include Alternative Performance Measures (APMs) which are explained on page 190.

Adjusted revenue

£5,489m

(2022: £5,246m)

Definition

External revenue including the Group's share of revenue of equity accounted investments (EAls).

Progress in 2023

Our revenue grew 6.3% year-on-year at constant currency, mainly driven by increased light vehicle production volumes and commercial pricing recoveries.

Adjusted operating profit

£355m

(2022: £333m)

Definition

Statutory profit, adjusted for significant or volatile items, non-trading or non-recurring items, certain fair value items released to the income statement relating to historical acquisitions, and adjusted profit from EAls.

Progress in 2023

Adjusted operating profit increased 10% year-on-year at constant currency, driven by revenue drop-through, operational efficiencies and the benefit of ongoing restructuring.

Adjusted operating margin

6.5%

(2022: 6.3%)

Definition

Adjusted operating profit as a percentage of adjusted revenue.

Progress in 2023

Adjusted operating margin grew 30bps year-on-year, as we continue to aim for industry-leading financial performance.

Excluding central costs, our adjusted operating margin was 7.1% with 90bps margin expansion.

Adjusted Free Cash Flow

£93m

(2022: n/a)

Definition

Cash generated from trading operations, after accounting for all trading costs, restructuring, pension contributions and tax payments, but before any cash flows related to financing activities, adjusted for demerger-related cash flows.

Progress in 2023

Better than expected free cash flow generation allowed us to announce the commencement of a £50 million share buy-back programme, whilst continuing to maintain leverage within our target range, and invest in our operations and new business opportunities for organic growth.

Net leverage ratio

1.4x

(2022: 1.5x)

Definition

Net debt divided by last 12 months' adjusted EBITDA.

Progress in 2023

Net debt reduction to £847 million, combined with adjusted EBITDA growth, led to a lower leverage ratio of 1.4x compared to a pro forma position of 1.5x at the demerger date.

Adjusted earnings per share

13.8p

(2022: n/a)

Definition

Adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the financial period.

Progress in 2023

We delivered EPS in line with expectations for our first year of trading.

Non-financial KPIs

Accident Frequency Rate

<0.1

Method of calculation

Number of lost time accidents (whether serious or minor) divided by the total number of hours worked multiplied by 200,000.

Progress in 2023

We are committed to protecting our employees and workers from injury and harm, focusing on continuous improvement to provide a safe and healthy workplace for all.

Our target is to maintain an Accident Frequency Rate of less than 0.1 which we achieved this year.

Scope 1 and 2 CO₂ emissions

683_{Kt CO₂e}
(2022: 730Kt CO₂e)

Method of calculation

Our emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol (GHG Protocol), Revised Edition and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019.

Progress in 2023

We reduced our Scope 1 and 2 emissions by 6.4%, with emissions falling from 729,635 tonnes in 2022, to 682,761 tonnes in 2023. This was achieved despite an increase in revenue of 6.3% at constant currency. We also saw a 11.6% reduction in energy consumption intensity.

EV-related medium-term order book

49%

Method of calculation

The percentage of GKN Automotive's forecast revenue in five years' time (2027) from the supply of products for use in EVs, based on currently awarded business. Does not include GKN Powder Metallurgy, aftermarket or cylinder liners order book.

Progress in 2023

Our strategy to smoothly navigate the EV transition means our goal is for this KPI to broadly track the market penetration rate of EVs.

Current 2027 forecasts are for that penetration rate to be 51%, and we therefore believe we are closely aligned to the expected future trajectory of the market.

We use our KPIs to track our success in delivering our strategy

We report our key performance indicators (KPIs) which we consider the most important metrics to track our performance. The Board reviews these KPIs annually and regularly monitors progress during the year. Some KPIs are directly linked to our Executive Directors' remuneration. We have reported prior year KPIs where we can, but as this report relates to our first year as a company, prior year data is not always available. Where that is the case, we expect to be able to report more comparative prior year data in future years.

Financial progress

Our financial KPIs track how our financial performance meets our strategic goals. This includes our strategy to achieving industry-leading financial performance by driving margin expansion, increasing earnings per share and generating cash, whilst maintaining prudent levels of leverage.

Health and safety

The health and safety of our people is our number one priority. Our Accident Frequency Rate is our key health and safety KPI and reflects accidents that have resulted in time off work. Other health and safety metrics we monitor include our Major Accident Frequency Rate and Accident Severity Rate, each of which reflects whether or not any accidents result in more serious injuries. All lost-time accidents are reported to the Board on a regular basis.

Carbon emissions

To track our performance towards our net zero targets, we treat our Scope 1 and Scope 2 emissions as a KPI. These are emissions generated in our own operations or in generating the energy we use, so are directly influenced by our actions. Our Scope 3 emissions are largely outside our control, but we expect them to reduce significantly over time as the automotive industry continues to transition to EVs.

Transition to sustainable mobility

Tracking the percentage of GKN Automotive's medium-term order book which relates to bookings for EV programmes, reflects the importance of our strategy to successfully navigate the wider EV transition. Our goal is to smoothly track that transition, so we aim for this KPI to broadly track the forecast market penetration rate of EVs.

STRONG MARGIN EXPANSION AND CASH GENERATION



Roberto Fioroni
Chief Financial Officer

“We delivered strong performance in 2023, with revenue growth, margin expansion, and better than expected free cash flow generation.”

The Group achieved impressive year-on-year improvements in its key performance measures, driven by a combination of global light vehicle production (GLVP) volume increases, operational efficiencies, easing supply chain disruptions and a continuing focus on cost management. Despite prolonged inflationary headwinds and the UAW strike in September and October, we have demonstrated resilience in navigating these challenges and executed strongly by growing profits, expanding margins and increasing cash generation.

Overview

	Adjusted ¹				Statutory		
£ millions	2023	2022	Change	Constant FX ¹	2023	2022	Change
Revenue	5,489	5,246	4.6%	6.3%	4,864	4,595	5.9%
Operating profit/(loss)	355	333	6.6%	10%	(450)	58	n/m ⁴
Operating margin	6.5%	6.3%	20bps	30bps	-9.3%	1.3%	n/m ⁴
Operating profit/(loss) excl. stand-alone costs ²	387	333	16%	20%	-	-	-
Operating margin excl. stand-alone costs ²	7.1%	6.3%	80bps	90bps	-	-	-
Basic EPS ³	13.8p	-	-	-	(36.0)p	-	-
Free cash flow ³	93	-	-	-	-	-	-
Net debt ³	847	-	-	-	-	-	-

- Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section on pages 190-194, which also sets out the definition and basis of calculation of constant currency.
- Excludes £32 million of incremental stand-alone plc costs.
- Prior year comparators are not included as not considered meaningful or are not possible to calculate due to the change in structure of the business. Prior year comparators will be included from December 2024.
- Not meaningful.

Revenue

Adjusted revenue in the year increased to £5,489 million (2022: £5,246 million), with growth of 6.3% at constant currency. This reflected volume growth in all our operating regions, although we did underperform GLVP, and price increases as the businesses recovered significant cost inflation. Translational foreign exchange headwinds on adjusted revenues were £90 million greater than the prior year, resulting in a reported adjusted revenue growth of 4.6%. Statutory revenue (which excludes revenues from non-consolidated joint ventures including the Group's major Automotive joint venture in China) in the year was £4,864 million (2022: £4,595 million) with reported growth of 5.9%.

The regional breakdown of Group adjusted revenues in the year is shown below.

Adjusted Revenue share by region

	2023
Americas	40%
Europe, Middle East & Africa	34%
China ¹	14%
Asia (ex China)	12%

1. China revenues reflect Joint Venture shareholding percentages.

Operating profit

Adjusted operating profit for the year increased by 10% at constant currency to £355 million, with margin improvement of 30bps. This improvement excludes the impact of foreign exchange headwinds due to the British pound sterling strengthening against the US dollar and the Chinese Renminbi. The increase in adjusted operating profit was driven by higher volume, and offsetting inflation through a combination of customer price increases and operational efficiencies. Excluding incremental stand-alone plc costs, adjusted operating profit in the year increased by 20% to £387 million, with margin expansion of 90bps.

The statutory operating loss in the year was £450 million (2022: £58 million profit), primarily reflecting a goodwill impairment charge of £449 million relating to the Powder Metallurgy business, resulting in a carrying value of £884 million. As part of our year-end process, we review the carrying value of all of our assets, which has led to this non-cash impairment. After completing a detailed business review, while we still believe that the business has promising longer-term prospects, current medium-term profit and cash assumptions are lower than those previously assumed when determining its book value. This is largely driven by a softening in the underlying forecast of the growth assumptions in its core business. This is discussed in more detail in Note 12 to the Financial Statements. Other adjustments between adjusted and statutory operating profit relate to the amortisation of acquisition-related intangible assets, restructuring costs and demerger costs.

Translational Foreign Exchange Impact

The difference in reported and constant currency values relates to translational foreign exchange impacts as further set out on in the Alternative Performance Measures section on pages 190-194. When considering the sensitivity of potential 2024 full-year adjusted operating profit to translational foreign exchange movements, we expect that a 10% strengthening of certain underlying currencies against British pound sterling would increase adjusted operating profit as follows: US dollar approximately £20 million; Euro approximately £5 million; and Chinese Renminbi approximately £10 million. Based on current spot rates we expect a full year 2024 revenue and operating profit headwind.

CAPITAL ALLOCATION FRAMEWORK

Dowlais has a clear capital allocation framework, which sets out how we intend to use our capital and apply any excess cash available after paying an appropriate dividend in line with our stated policy.

OPERATING CASH FLOW

BUSINESS INVESTMENT

Capital to sustain organic growth, support transition to EV and increase competitiveness of manufacturing footprint

DIVIDEND

A sustainable and progressive dividend policy, targeting approximately 30% of adjusted profit after tax

EXCESS CASH

DELEVERAGING

Maintain ratio at 1.0x to 1.5x net debt: EBITDA

ADDITIONAL SHAREHOLDER RETURNS

Return excess capital to shareholders, by share buy-backs or special dividends

M&A

A disciplined, prudent approach to exploring M&A where it will create value

Net finance costs

The Group's net finance charges of £72 million (2022: £121 million) represent £101 million of finance costs (2022: £272 million) and £29 million of finance income (2022: £151 million).

The finance costs include interest on bank borrowings of £63 million (2022: £11 million), interest on the Group's pension schemes of £17 million (2022: £6 million) and finance lease charges of £6 million (2022: £6 million). The increase in interest on bank borrowings compared to the prior year reflects the change in capital structure to a stand-alone entity following the demerger. The Group's effective interest rate on bank borrowings was 6.4%.

Finance income includes the benefit of foreign exchange gains of £22 million on loans with Melrose up to the date of demerger. In the prior year, foreign exchange movements on loans with Melrose resulted in a £24 million net cost, comprising exchange gains of £143 million offset by exchange losses of £167 million.

Adjusted net finance costs of £91 million (2022: £36 million) include £2 million of interest income from equity accounted investments (2022: £2 million) and exclude movements in foreign exchange movements on loans with Melrose as well as a £1 million fair value movement on other financial assets (2022: £59 million fair value changes on cross currency swaps). Adjusting interest items are set out in Note 6(b) to the Financial Statements.

The Group is actively monitoring interest costs in light of volatile global interest rates and has fixed the interest rates on 55% of the drawn debt under its banking facilities with interest rate swaps, maturing in line with those facilities.

Net finance charges are expected to be higher in 2024, in the range of between £100 million and £110 million, due to the full-year impact of our debt structure and the increase in global interest rates.

Tax

The results for the year show an adjusted tax charge of £66 million (2022: £79 million), arising on an adjusted profit before tax of £264 million (2022: £297 million). The Group's current adjusted effective tax rate (ETR) is 25.0% (2022: 26.6%). The Group's ETR is driven primarily by the jurisdictional split of profits and includes the benefit of operating in low tax regimes in certain parts of China and Thailand. In addition, the Group has claimed the benefit of patent box tax relief in Italy during the year. These downward drivers are partially offset by the non-recognition for tax purposes of the losses arising in the Hydrogen business as well as withholding tax suffered on dividends received by the UK from overseas businesses.

Earnings per share

In accordance with the Group's measures of performance, the Group also presents its earnings per share (EPS) on an adjusted basis. Adjusted EPS for the year was 13.8 pence per ordinary share.

Statutory basic EPS was a loss of 36.0 pence per share as it included the impact of the goodwill impairment and other adjusting items such as amortisation of acquisition-related intangible assets, restructuring costs and demerger costs, as shown in Note 6 of the Financial Statements.

Free cash flow

The Group reported a free cash flow of £45 million for the year, which was impacted by non-recurring costs of £48 million related to the demerger. These costs include employee incentive payments under the terms of a previous Melrose scheme that became payable at the point of the demerger and costs associated with establishing the Group's new central functions. Excluding these non-recurring costs, the adjusted free cash flow was £93 million.

The growth in adjusted free cash flow was primarily driven by an increase in adjusted EBITDA and improvements in working capital of £18 million resulting from a continued focus on supply chain optimisation. It also benefited from lower tax and restructuring cash outflows, which more than offset the higher interest payments and capital expenditure.

Interest payments, totalling £68 million, were £56 million higher compared to the previous year due to the new stand-alone capital structure established after the demerger, therefore, interest payments in 2024 are expected to be in the range of £80 million to £90 million. Capital expenditure increased by £73 million to £295 million, reflecting investments in business growth and footprint optimisation. Capital expenditure in 2024 is expected to be towards the lower end of 1.0x and 1.2x depreciation, in line with our medium-term guidance. Restructuring cash outflows of £70 million, related to manufacturing footprint optimisation, were lower than the previous year and expectations, largely due to phasing. As a result, restructuring cash outflows in 2024 are expected to increase to between £90 million and £100 million.

Liquidity and leverage

The Group's primary sources of liquidity are the cash generated from operating activities and funds available under its revolving credit facility. At year end, the Group's cash and cash equivalents balance stood at £313 million, while the revolving credit facility had available headroom of £590 million, translating to a total liquidity position of £903 million.

The Group is funded through two core banking facilities, comprised of a term loan and revolving credit facility, with a combined facility limit of approximately £1.8 billion. Both facilities have an initial maturity date of 20 April of 2026, and the Group has the option to extend the revolving credit facility for up to two further one-year periods, at its sole discretion.

The Group's net debt at 31 December 2023 was £847 million, slightly less than 30 June 2023 and approximately £30 million less than the pro forma net debt of £880 million at 31 December 2022.

The Group's net leverage ratio at 31 December 2023 was 1.4x adjusted EBITDA, comfortably below the covenant requirement under its debt facilities of 3.5x, and aligned with the Group's intention to maintain a strong balance sheet with net leverage of between 1.0x and 1.5x the last 12 months' adjusted EBITDA. A separate interest cover covenant (which measures the adjusted EBITDA to net interest charge over the preceding 12 months and requires a ratio of at least 4.0x) does not come into effect until 30 June 2024. The Group expects to have comfortable headroom above this covenant.

Retirement benefit obligations

The Group operates several defined benefit pension schemes. The Group's assets and liabilities under these schemes were calculated as at 31 December 2023 to reflect the latest assumptions and are summarised below.

Position at 31 December 2023

£ millions	Assets	Liabilities	Accounting Deficit
UK plans ¹	665	(672)	(7)
European plans	16	(416)	(400)
US plans	73	(118)	(45)
Other Group pension schemes	21	(28)	(7)
Total Group pension schemes	775	(1,234)	(459)

1. UK plans primarily relate to the GKN Group Pension Schemes No. 2 and No. 3 and also include a legacy UK post-retirement medical scheme.

The Group's most significant defined benefit pension plans are the GKN Group Pension Scheme No. 2 and the GKN Group Pension Scheme No. 3, which constitute the majority of the UK plans. These defined benefit schemes are closed to new entrants and to the accrual of future defined benefits for current members. The Group continues to contribute £15 million per annum to these UK schemes as part of its asset-backed funding arrangements. As at 31 December 2023, these schemes had a net deficit of £5 million (2022: net surplus of £17 million), with an additional £2 million of liabilities relating to a legacy post-retirement medical scheme. The UK schemes were last subject to their triennial statutory valuation in April 2022, the outcome of which and the related funding principles was agreed by the Group with the trustee directors of the schemes. The next triennial valuation is due in April 2025.

The most significant of the Group's other pension liabilities are the future payment obligations under the German GKN pension plans, which provide benefits dependent on final salary and service and which are generally unfunded and closed to new entrants. At year end, the future obligations associated with these plans represented an unfunded liability of £390 million (2022: £405 million).

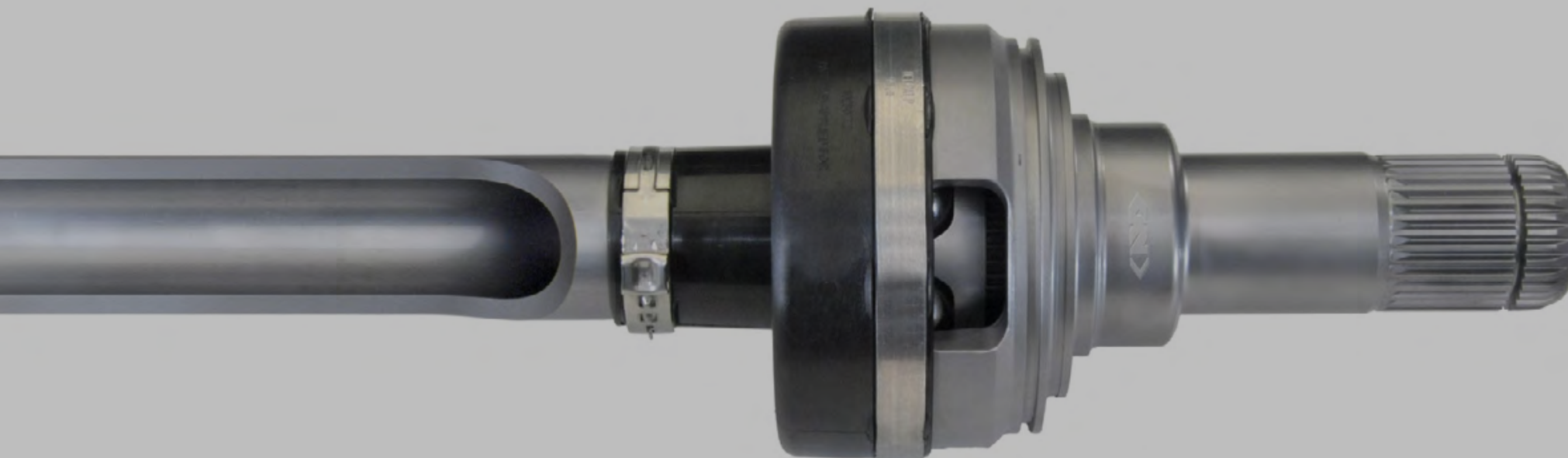
Full-year pension cash outflows in relation to the defined benefit pension schemes were £39 million (2022: £40 million). This amount is expected to be approximately £45 million in 2024.

Dividend

The Board has recommended a final dividend of 2.8 pence per ordinary share. This dividend, together with the interim dividend of 1.4 pence per ordinary share represents 30% of adjusted profit after tax, in line with the Group's dividend policy. Subject to approval by shareholders, the final dividend will be paid on 30 May 2024 to shareholders on the register on 19 April 2024. A Dividend Reinvestment Plan (DRIP) is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

Share buy-back

The Board has announced its intention to commence a share buy-back programme of up to £50 million, to be transacted over 12 months commencing in April 2024. This is in line with our capital allocation policy as we continuously evaluate the deployment of our available capital to support investment for future growth whilst maintaining leverage at or below 1.5x through the period and maximise value for our shareholders. The Board believes that purchasing its own shares is an attractive use of its capital in light of the Group's strong long-term outlook and improving cash generation. The programme will be executed in accordance with applicable legal requirements and a further announcement regarding the terms of the share buy-back programme will be made in due course.



ENGINEERING TRANSFORMATION

Sideshafts

Having pioneered the development of constant velocity driveshafts since the 1960s, we are the global market leader in this essential technology.

Sideshafts transfer torque to the wheels of a vehicle. Modern sideshafts are a highly engineered component, which are fundamental to how a vehicle performs, making them a core part of the driving experience. Over decades, we have continually enhanced our portfolio, using our expertise to improve performance, efficiency and durability.

Our market-leading technology portfolio enables our customers to meet specific torque, articulation, noise, weight, durability and cost requirements. For example, by using software simulation we can give our customers sideshafts that meet the specific characteristics of their vehicle, and our advanced joint technologies help improve efficiency

by reducing energy loss during torque transfer. This helps to improve fuel economy for ICE vehicles and extend the range of EVs.

As the automotive industry embraces electrification, the requirements for sideshafts have changed significantly. EVs have different vehicle architectures, require higher efficiency and generate higher torque levels compared to ICE vehicles. We offer a range of solutions, from larger articulation angles to address changes in available space, to increased stiffness for better oscillation control, and higher efficiency that translates into battery cost savings.

Electrification also introduces new challenges, such as more stringent acoustics requirements and different endurance requirements due to the loads placed on the shaft in driving or regeneration. Our sideshaft systems can not only handle these challenges but continue to provide best-in-class performance, which is why we remain the market leader.

GKN AUTOMOTIVE

The world leader in drive systems and a trusted partner for 90% of global automotive manufacturers.



GKN Automotive is a global automotive technology business at the forefront of innovation. It specialises in designing, developing and producing market-leading drive systems, with eight out of ten of the world's best-selling cars using its technology. GKN Automotive is the world leader in sideshafts, propshafts, AWD systems and advanced differentials, on which it has built its eDrive system capability, which was launched over 20 years ago and has since been used in over 2.5 million electrified vehicles worldwide.

GKN AUTOMOTIVE PRODUCT PORTFOLIO

Driveline product group

Sideshafts | Propshafts

ePowertrain product group

AWD Systems | eDrive Systems
ePowertrain Components

>25,000

employees¹

48

manufacturing facilities

→ Visit gknautomotive.com to learn more

1. Total employees of the Group's undertakings within GKN Automotive, including its non-consolidated joint ventures.

GKN Automotive made strong progress during 2023 with revenue growth, significant margin expansion, improving cash flow generation and record new business bookings.

Automotive overview

£ millions	Adjusted ¹				Statutory		
	2023	2022	Change	Constant FX ¹	2023	2022	Change
Revenue	4,437	4,223	5.1%	7.0%	3,843	3,598	6.8%
Operating Profit	306	250	22%	27%	30	11	173%
Operating Margin	6.9%	5.9%	100bps	110bps	0.8%	0.3%	50bps

1. Adjusted financial measures are defined and reconciled to statutory measures on pages 190-194, which also sets out the definition and basis of calculation of constant currency.

Adjusted revenue grew 7.0% year-on-year to £4,437 million, driven by increased global light vehicle production volumes. The under-performance compared to a GLVP growth of 9.7% is largely due to our strategic focus on commercial discipline, prioritising profitable growth over volume growth. The business also grew adjusted operating profit by 27%. This reflects a drop-through margin of 29% on incremental volume at constant currency. This resulted in adjusted operating margin expansion of 110bps to 6.9%, reflecting incremental volumes, operational efficiencies including procurement benefits, offsetting ongoing inflation and foreign exchange headwinds. The second half performance was particularly pleasing, with the business achieving an adjusted operating margin of 7.3%, despite the impact of the UAW strike action in the US.

To optimise its manufacturing footprint and further improve efficiency, the business incurred £109 million in restructuring costs during the year, with a £58 million cash outflow. Key actions included the ongoing closure of its Mosel plant in Germany and shifting production to Miskolc, Hungary, alongside the expansion of facilities in Mexico.

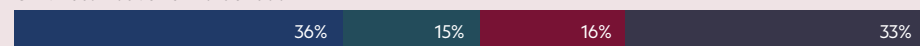
Record new business wins

GKN Automotive had an outstanding year of new business bookings, securing strategically significant wins and contract awards worth more than £6 billion in forecast lifetime revenue. This is GKN Automotive's best-ever year for new business wins, representing an 11% increase on 2022 and a book-to-bill ratio of approximately 1.4x.

These business wins are well balanced across the Driveline and ePowertrain product groups, with 74% related to EV platforms, and 69% for pure Battery Electric Vehicle (BEV) platforms (in each case by forecast lifetime revenue). The wins were also balanced across the business's product portfolio, including sideshafts tailored for EVs, ePowertrain components such as Electronic Differential Locks (EDL), Electronic Torque Managers (ETM) and Limited Slip Differentials (LSD), and a full eDrive system. They were also across a broad range of end customers, including traditional, Chinese and pureplay EV OEMs.

2027 forecasts by vehicle propulsion type

GKN Automotive 2027 order book



2027 global light vehicle production



■ ICE ■ Mild Hybrid ■ HEV ■ BEV & FCEV

The business's order book remains very well aligned to the evolving vehicle portfolio of its customers and the S&P Global's forecast for 2027, with 33% of its current 2027 order book now relating to battery electric vehicles, 16% to hybrid electric vehicles and 51% to internal combustion engine vehicles. The balanced nature of GKN Automotive's product portfolio enables it to remain propulsion source agnostic, and to prudently track the pace of transition of its customers' vehicle platforms to EVs.

Notably, the business was also awarded a contract for a full 3-in-1 eDrive system, comprising two electric drive units (front and rear) for a high-performance electric SUV. The forecast profitability of this award is also fully aligned to our margin objectives. This win further demonstrates GKN Automotive's ability to profitably leverage its AWD systems engineering expertise into eDrive systems. Separately, the business's first entirely in-house designed and developed 3-in-1 eDrive system, to be supplied to a major global OEM, is expected to enter series production in the second half of 2024.

China continues to lead the world in the transition to electric vehicles, and this key market was an area of particular focus during the year. GKN Automotive's presence in China is via its joint venture SDS with local partner HUAYU Automotive Systems Co. Ltd (HASCO). SDS has continued to grow and remains the leading supplier of driveline products to the Chinese market, with ten manufacturing facilities located in the country. 2023 represented the 35th anniversary of the establishment of the joint venture, reflecting GKN Automotive's early entry into the domestic Chinese market. Following the easing of restrictions on travel resulting from the pandemic, the GKN Automotive leadership team has spent considerable time in China, working in close collaboration with HASCO and the SDS team to ensure that the joint venture continues to maintain its strong and profitable position in the Chinese market, with progress made. Chinese OEMs continue to become more global in their ambitions, and the business made good progress in profitably increasing sales with this group of customers, leveraging its strong and longstanding relationships.

New production facility in Hungary

With approximately half a million cars forecast to be built in the country in 2025, the automotive industry continues to expand in Hungary.

In September 2023, GKN Automotive completed the first construction phase of a new manufacturing site in Felsőzsolca, near Miskolc in northeastern Hungary, enabling the business to further improve its manufacturing cost base and remain close to many current and potential customers in the European region.

The 29,000sqm facility, which began producing sideshafts in October 2023, comprises a production and logistics hall, office building, and engineering centre complete with testing facilities.

It has been constructed with a focus on sustainable design and best-in-class production flow processes. The second phase of construction is now in progress, which will expand the facility to 60,000sqm.

The new site complements GKN Automotive's existing network of production sites in eastern Europe, including Oleśnica in Poland and Zreče in Slovenia, further improving its competitiveness.



Technology and product portfolio

GKN Automotive is a drive systems technology leader, with six global technology centres, a global engineering organisation and dedicated vehicle testing facilities. It has the most comprehensive drive system portfolio in the industry, transferring the torque from a vehicle's power source to the wheels to ensure superior performance, efficiency and reliability.

In 2023, the business continued to expand its core sidschaft portfolio, with products designed to match the changing demands of EV platforms. With over 100 joint types and sizes, world-class drivetrain expertise and over 1,400 active driveshaft patents, it is the world leader in this market.

As the global leader in AWD systems and advanced differentials, GKN Automotive is well positioned to capitalise on the increasing number of vehicle architectures and the efficiency requirements of EVs. The business designs and manufactures a wide range of systems, sub-systems, and components, that enable improvements in efficiency, vehicle dynamics, stability and safety. These capabilities have contributed to its success in the rapidly growing eDrive systems market.

Sustaining transformation

GKN Automotive continued to make progress on its sustainability strategy in the year. Transitioning to green electricity is an important focus for the business, and it made progress in finalising power-purchase agreements for its European operations which, when fully implemented, are expected to enable those operations to use 100% green electricity. The business obtained an EcoVadis Silver sustainability award for its 2023 submission, an improvement on the prior year, placing it in the top 15% of businesses assessed. GKN Automotive also submitted its first science-based targets to the SBTi for validation, with the business targeting a 45% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2021 base year, a 25% reduction in absolute Scope 3 emissions by 2030 from a 2021 base year, and reaching net zero emissions by 2045.

In 2023 the business launched the Advanced Research Centre (ARC), a collaborative partnership between GKN Automotive, Newcastle University and the University of Nottingham, delivering a series of advanced technology projects focused on power electronics, advanced cooling methods in motors and motor control techniques. These projects aim to enhance drive system performance and efficiency, which are critical to the ongoing evolution of the EV market.

Further expanding its electronic and software capabilities, GKN Automotive achieved ASPICE Level 2 certification for a full eDrive system with a leading German vehicle manufacturer in 2023. ASPICE (Automotive Software Process Improvement Capability Determination) is a standard which assesses the maturity of development processes for electronic and software-based automotive systems. All future GKN Automotive eDrive systems will be ASPICE Level 2 compliant.

Operational excellence

With operations in 18 countries, the business is global in nature, and capable of meeting its customers' needs wherever they are located.

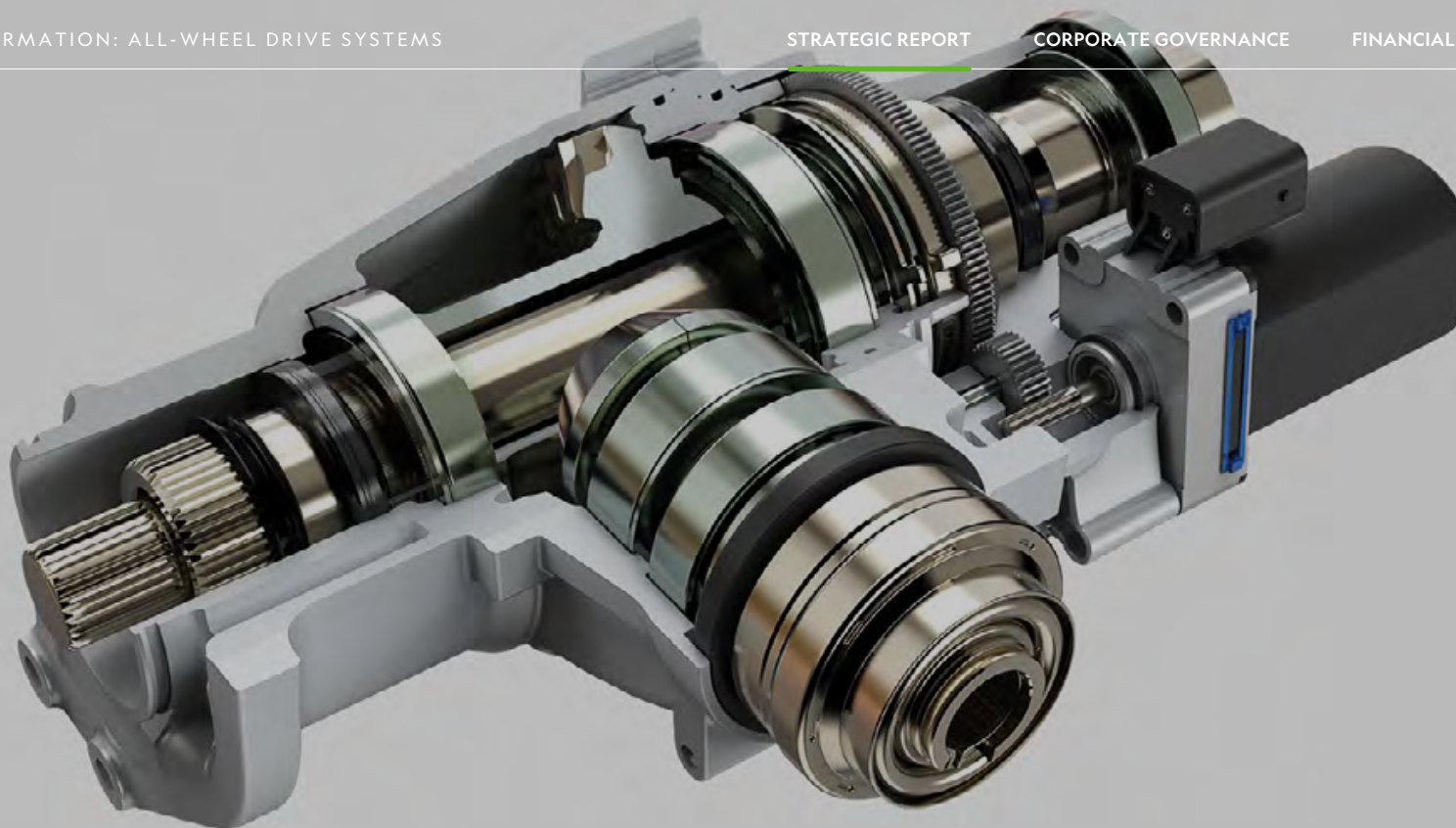
GKN Automotive had an excellent health and safety performance in the year, with an Accident Frequency Rate of 0.05, an improvement from 2022, due to a range of behaviour-based safety initiatives, including those relating to hand safety and slips, trips and falls. The business also continued to demonstrate excellent quality standards, achieving a PPM (parts rejected per million manufactured) defect rate of six.

Throughout the year, GKN Automotive continued to make significant progress in improving the competitiveness of its manufacturing footprint, as part of its wider industrial strategy to ensure a best-in-class cost structure and continues to sustainably drive margin improvement.

In October 2023, GKN Automotive commenced production at its new manufacturing facility in Miskolc, Hungary. In addition, the business invested to expand its Mexico facilities by a total of 28,000 sqm, to a total of 182,000 sqm, adding further manufacturing and engineering capabilities. In addition to these expansions, the business announced the proposed closure of a Driveline plant in Mosel, Germany. Following consultation and negotiation with affected employees and other stakeholders, the final phase of the plant closure will take place in the second half of 2025. The proposed closure of its plant in Roxboro, North Carolina was also announced on 7 March 2024. The cash impact of these actions is in line with our original expectations and commentary.

GKN Automotive's ability to meet its customers' demanding operational schedules was demonstrated by the business successfully completing 115 new programme launches during the year. Operational improvements were made across many plants, with a continued focus on areas such as excellence in its global procurement function, smart automation, cost optimisation and the implementation of intelligent material-flow systems.

The business also fully restructured its supply chain functions, closing its Global Freight Services operation and transferring accountability for global freight management activities to a streamlined internal team located within its manufacturing plants, working directly with external logistics providers. This project, which was implemented on time and without operational disruption, is expected to further enhance operational performance, reduce costs and improve working capital.



ENGINEERING TRANSFORMATION

All-Wheel Drive Systems

All-wheel drive systems allow a vehicle to operate in the most demanding of driving environments, whether on or off-road. They do this by delivering torque to all four wheels of the vehicle when and where it is needed, resulting in enhanced traction and improving driving performance.

Designing and manufacturing all-wheel drive systems which meet our customers' needs, means ensuring maximum efficiency, whilst providing optimal traction, dynamics and off-road performance. Our systems vary in their functionality, but can include features such as disconnects, allowing seamless switching between all-wheel drive and two-wheel drive depending on road conditions and driver inputs, improving efficiency.

Our most advanced systems feature torque vectoring, delivering precise amounts of torque to individual wheels, providing intelligent control of the vehicle dynamics. This gives our customers the power, refinement and flexibility they need, helping them create smarter, more dynamic driving experiences.

As a pioneer in the development of all-wheel drive systems, we can design, engineer, manufacture, optimise, package and integrate a complete all-wheel drive system in-house. Our system integration expertise ensures we remain the leading supplier in this important market and partner of choice for many of the world's automakers.

GKN POWDER METALLURGY

The world's leading power metallurgy business, producing millions of highly-engineered components every day.



GKN Powder Metallurgy is solving complex challenges in automotive and industrial markets through best-in-class sustainable and innovative powder metallurgy technology. It is a world-class supplier of powder metal materials and sintered metal components. The business comprises three focused divisions under one brand: GKN Powders/Hoeganaes, GKN Sinter Metals, and GKN Additive, supplying metal powders, high-precision powder metal solutions and 3D-printed parts.

GKN POWDER METALLURGY PRODUCT PORTFOLIO

Sintered Metal Components |
Metal Powders |
Additive Manufactured Components

>5,000

employees

27

manufacturing facilities



Visit gknpm.com to learn more

Powder Metallurgy overview

£ millions	Adjusted ¹				Statutory		
	2023	2022	Change	Constant FX ¹	2023	2022	Change
Revenue	1,047	1,022	2.4%	3.5%	1,016	996	2.0%
Operating Profit	96	96	-	3.1%	(409)	36	n/m ²
Operating Margin	9.2%	9.4%	(20)bps	(10)bps	-40.3%	3.6%	n/m ²

- Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section on pages 190-194, which also sets out the definition and basis of calculation of constant currency.
- Not meaningful.

Powder Metallurgy's performance in the year was in line with expectations, including good cash generation. Adjusted revenues were £1,047 million, 3.5% ahead of 2022. This reflected the benefit of strong inflation-recovery through pricing and flat year-on-year volumes. The market under-performance was largely driven by the EV transition headwinds, engine downsizing and the impact of the UAW strikes in the US.

Adjusted operating profit for the year was £96 million, at an adjusted operating margin of 9.2%. This compares to an equivalent margin of 9.4% in 2022 and reflects the dilutive effect of inflation recoveries in the year.

Powder Metallurgy has been heavily focused on inflation recovery throughout the year, and successfully recovered around 100% of commodity and energy inflation for the full year, by pricing initiatives and surcharge pass-through agreements. The business offset other inflationary increases through operational efficiencies.

Commercial progress and EV transition

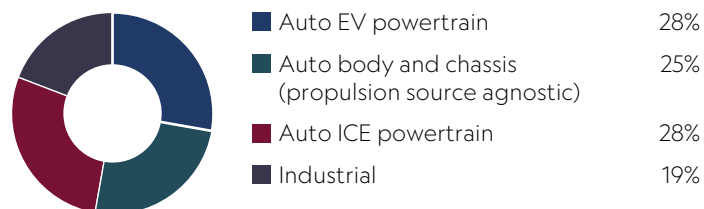
Powder Metallurgy made commercial progress in the year, securing new business wins with a 23% year-on-year increase in bookings when measured by forecast peak annual revenues. The business has a broad and stable customer base, with over 3,000 customers in automotive and other industrial markets.

A key priority for the business is successfully navigating the EV transition, as a significant proportion of its sales are currently from products used in ICE vehicles. Progress continues to be made, with approximately 72% of the value of its new business wins in 2023 for EV or propulsion source agnostic product groups, by forecast peak annual revenue. This was a material step-up from the prior year and a confirmation that the new products Powder Metallurgy has developed over recent years are gaining commercial traction.

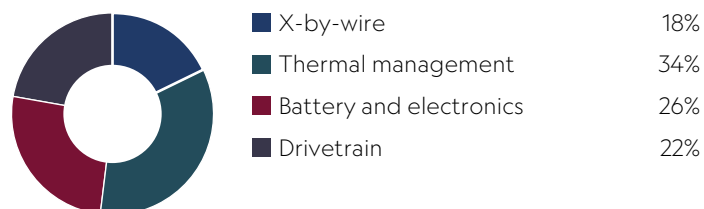
The business continues to identify new areas in which its powder metallurgy expertise can be applied to EV-specific products. This includes areas such as battery connectors and packs; components for high-voltage cables, electric motors and thermal management systems; e-pumps; x-by-wire components and differential gears. Multiple business wins in EV-specific products were secured in the year, including the single largest contract the business has ever secured, for the supply of sintered differential gears for a leading US vehicle manufacturer, with production due to commence in 2025.

Powder Metallurgy's strategy to successfully navigate the EV transition is based not only on adapting its core sinter metals business but also on identifying new markets for its metal powders. The business has had success this year in selling high-quality iron powder to produce cathodes for Lithium Iron Phosphate (LFP) batteries. LFP batteries are becoming more widely used and are gaining share in the growing EV battery market due to their lower cost and thermal stability. The business is already supplying customers with this material and working with vehicle and battery manufacturers (and their suppliers) on several potential opportunities involving localised supply across Europe, North America, and China.

2023 New business bookings by end market



Sintered components EV opportunity sales funnel



WHAT IS POWDER METALLURGY?

1 Scrap metal is recycled. Select grades are chosen to provide the desired chemistry and quality.



2 The metal is melted in an electric arc furnace to remove undesirable compounds.



3 The melted metal is atomised using high pressure water jets to produce powder.



4 The powder is blended, refined and mixed to meet the specific requirements needed.



5 The powder is pressed into the desired shape, using hydraulic presses and tooling specifically optimised for the part concerned.



6 The pressed part is sintered, by heating it in a furnace to very high temperatures. This fuses the metal powder into a solid component.



An additional potential growth area which the business is pursuing is the manufacture and supply of permanent magnets for electric motors for EVs and other applications. Progress was made during the year, including the first commercial agreement for the manufacture of magnets for Schaeffler. The business continues to see interest in these products from multiple customers (both OEMs and Tier 1 suppliers), who wish to diversify their supply chains for these critical components. Commercial negotiations and advanced technical qualifications have continued with several potential customers, and the business is working on establishing a robust and sustainable supply chain for the critical raw materials as part of its “Mine-to-Magnet” supply chain strategy. Construction of a new low-scale production line capable of producing up to 400 tonnes of permanent magnets a year has commenced and is expected to be operational in Q1 2025. Investment in the manufacturing of magnets totalled £2 million in the year, and appropriate investment in full-scale production facilities will be considered as and when contractual demand reaches the required threshold and returns meet our financial criteria.

While primarily an automotive-focused business, Powder Metallurgy supplies a wide range of products to other industrial markets, including: consumer white goods; heating, ventilation and air conditioning (HVAC); and lawn and garden products. These markets represent approximately 20% of the business’s revenue, and advancing non-automotive opportunities, in particular into high-growth sectors such as medical, advanced computing and renewable energy, will continue to be a strategic target for the business. As an example, during the year the company won a substantial order for the supply of isostatic tubes for a renewable energy project in China.

Sustaining transformation

GKN Powder Metallurgy is committed to offering sustainable solutions to its customers. The business has continued to invest in sustainability projects throughout the world. As a result of these, energy usage was reduced by 80 GWh, more than 10,000 tonnes of waste was diverted from landfill, and consumption of water reduced by 25 million litres. The business obtained a Platinum EcoVadis sustainability medal for its 2023 submission, placing it in the top 1% of businesses assessed, an award that recognises the very positive sustainability progress it has made in recent years. GKN Powder Metallurgy also submitted its first science-based targets to the SBTi for validation, targeting a 42% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2022 base year, a 25% reduction in absolute Scope 3 emissions by 2030 from a 2022 base year and reaching net zero emissions by 2050.

Operations

Powder Metallurgy is a global business, with operations in 11 countries, 27 manufacturing plants and three technology centres.

We set demanding standards of health and safety for our businesses. Powder Metallurgy’s Accident Frequency Rate of 2.2 was slightly higher than our internal target, and as such this remains an area of focus for the business. Quality performance was better than our target, with a PPM defect rate of less than five.

Throughout the year the business continued to make progress on improving operations, with some of its US plants experiencing operational challenges in first half of the year. Investments were made to drive efficiencies, mainly through automation, helping to offset inflationary pressures. Powder Metallurgy also continues to develop its best-cost country strategy by expanding its operations in Mexico.

On 11 March 2024, Dowlais appointed a new Chief Executive Officer to lead the GKN Powder Metallurgy business. Jean-Marc Durbuis joins GKN Powder Metallurgy from Allnex, a global supplier of resins and additives to the coating and inks industry, where he was Executive Vice President and a member of the executive committee and board of directors of one of its divisions. His achievements at Allnex include driving growth, delivering significant improvements in his division’s financial and operational performance, and executing significant M&A projects in several geographies. Jean-Marc will bring extensive commercial, operational and leadership experience to GKN Powder Metallurgy as it continues its portfolio transition.

ENGINEERING TRANSFORMATION

Sintered metal components

We produce millions of sintered metal parts every day and billions each year across our global production footprint. Most of these parts are for use in the automotive sector and it is highly likely that the car you drive contains at least one of our sintered metal products.

For decades we have been using our powder metallurgy expertise to engineer and supply high-performance sintered components to the automotive and industrial sectors at volume. We work closely with our customers to provide solutions to their most challenging technical problems.

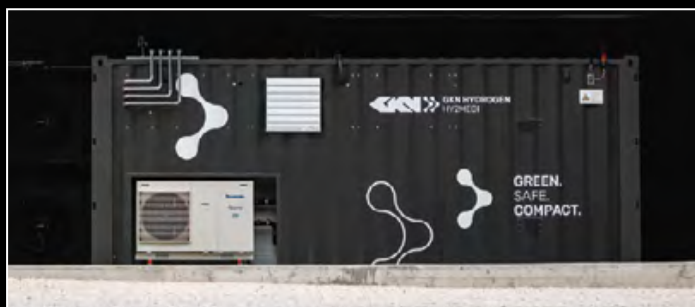
Our expertise in advanced materials, press technology and sintering processes allows us to manufacture complex shapes of high quality, at scale, at the best costs and with minimal waste.

Today, we are using our market-leading position to support the transition to EVs. Our products help drive today's automotive platforms, and our range of new components specifically for EVs will power the vehicles of tomorrow. Whether that's the hydraulic systems that keep batteries cool, the small actuation systems that are required for electromechanical brakes, or components of future drive systems, our capabilities allow us to design and supply on a global scale.

→ **For an explanation of our powder metallurgy processes including sintering, see page 30.**

GKN HYDROGEN

A world leader in the nascent metal hydride storage industry, well placed to capture growth across both the hydrogen storage and long-duration energy storage markets.



GKN Hydrogen offers the most sustainable and safe long-term hydrogen storage systems, which store hydrogen in significant quantities, without losses, in a compact footprint. Its systems are based on patented metal hydride technology and can be used as a robust hydrogen storage solution or for long-term energy storage, in new or existing infrastructure projects. The wide range of potential applications for hydrogen systems includes off-grid energy storage, CO₂-neutral emergency power supply for critical facilities such as hospitals and data centres, resiliency storage in hydrogen infrastructure and refuelling stations, clean microgrids and charging infrastructure.

GKN HYDROGEN PRODUCT PORTFOLIO

Hydrogen storage systems |
Power-to-power energy
storage systems

82

employees based in Italy,
Germany and the USA

27

patents covering material
and systems know-how

→ Visit gknhydrogen.com to learn more

Hydrogen overview

£ millions	Adjusted ¹				Statutory		
	2023	2022	Change	Constant FX ¹	2023	2022	Change
Revenue	5	1	n/m ²	n/m ²	5	1	n/m ²
Operating Profit	(15)	(14)	-7.1%	-7.1%	(16)	(14)	-14%
Operating Margin	n/m ²	n/m ²	n/m ²	n/m ²	n/m ²	n/m ²	n/m ²

1. Adjusted financial measures are defined and reconciled to statutory measures in the Alternative Performance Measures section on pages 190-194, which also sets out the definition and basis of calculation of constant currency.

2. Not meaningful.

Commercial traction

GKN Hydrogen's innovative storage technology continued to generate commercial traction throughout the year, as its order book increased and it continued to make progress in a variety of market segments. 2023 was the first year in which the business generated meaningful revenues, which were £5 million for the year, and although the business was loss-making, the business has a clear first-mover advantage.

The business installed and commissioned 16 new systems over the year, increasing the total number that are operational, in production or in commissioning to 27. The business also secured its first repeat customer. GKN Hydrogen's commercial focus is on targeting scalable customers including Engineering, Procurement and Construction businesses (EPCs), utilities providers and relevant industrial and transit businesses. GKN Hydrogen believes that customers in these industries particularly value the safety and reliability of its storage systems, and its expertise in integrating these systems into larger and more complex energy applications.

Systems installed since GKN Hydrogen launched

GKN Hydrogen increased both bookings and installations in the year, with system installations more than doubling in comparison to 2022.

2021

3

2022

8

2023

16

Operational progress

Whilst remaining focused on bringing its products to market, GKN Hydrogen continues to develop and refine its underlying technology. During the year it launched its new large-scale storage system, Hy2Mega, with four systems, each with 8.3MWh of energy capacity, commissioned in the year. The business also supplied what are believed to be the largest metal hydride hydrogen storage solutions ever brought to market, installing 500kg of hydrogen storage capacity for two customers, one in the US and one in Germany. The business's flexible and modular approach to its storage systems enables it to efficiently adapt its products to meet customers' needs.

In April 2023, the business opened its new hydrogen technology centre in Pfulzen, Italy, where approximately 60 employees lead its global development and production activities. The Hydrogen business also continues to work closely with research institutions, universities, and industry partners to promote local and international co-operation and knowledge exchange.

Outlook

The Board believes that the Hydrogen business would benefit from the involvement of a strategic commercial partner or specialist investor, as it seeks to accelerate the commercial adoption of its technology. As previously communicated, a process is ongoing to identify suitable investment partners. We expect the business to continue to make commercial traction in this nascent market and grow revenue during the year.

Large-capacity installations

In 2023, GKN Hydrogen supplied what are believed to be the largest metal hydride hydrogen storage solutions ever brought to market, installing 500kg of hydrogen storage capacity for two customers, one in the US and one in Germany.

Each installation consists of two 20-foot storage units, each with capacity to store 250kg of hydrogen, and a separate thermal management container to control the flow of hydrogen to and from the storage units. While both customers required safe and compact storage solutions, the installations represent different use-cases.

Colorado, USA (power-to-power)

GKN Hydrogen's customer, the National Renewable Energy Lab (NREL), located just outside Boulder, Colorado, engaged GKN Hydrogen to supply a hydrogen storage system as part of its ongoing efforts to support the adoption of clean microgrids. GKN Hydrogen's system, integrated between a 1.25 megawatt electrolyser and a 1 megawatt fuel cell, allows the use of hydrogen power blocks by directly connecting intermittent uncompressed hydrogen production to a safe and compact storage system.

This then supplies hydrogen directly to the fuel cell when electrical power is needed. The system as a whole represents a simple, efficient and safe energy storage solution.

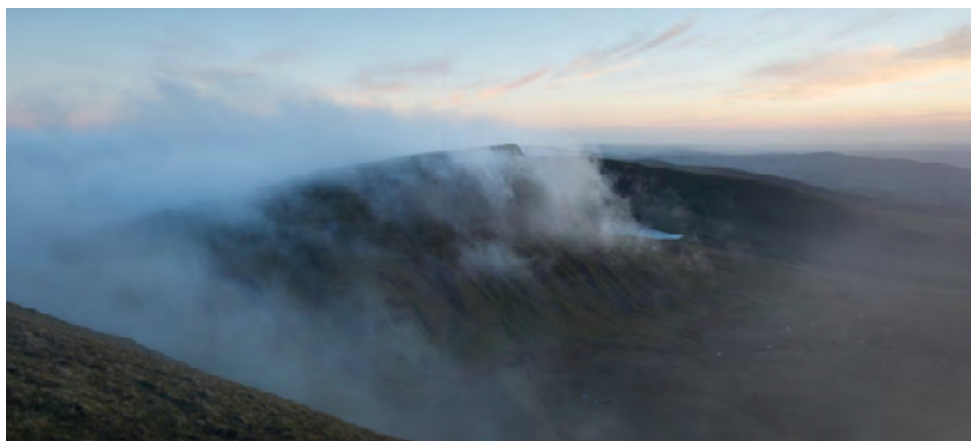
Braunschweig, Germany (hydrogen storage)

The Steinbeis Innovation Center (SIZ) engaged GKN Hydrogen to supply a 250kg storage solution to be installed at its new Hydrogen Terminal. The system is connected to a 1 megawatt electrolyser and provides hydrogen directly to various test facilities used by SIZ, in a power-to-gas arrangement. Space and safety were critical factors in SIZ's decision, which means that the two storage containers will be stacked, minimising their footprint. This use-case demonstrates a major advantage of GKN Hydrogen's systems over traditional compressed gas storage, where more space is typically required to store the same amount of hydrogen under pressure.



GKN Hydrogen's systems en route to being installed at NREL Colorado

PUTTING SUSTAINABILITY AT THE HEART OF EVERYTHING WE DO



At Dowlais, we believe that our technology and the way we operate our businesses can positively impact people, society and our world.

For generations, our businesses have contributed to the communities in which they operate and have developed products that have shaped the world in which we live. Today is no different, as we ensure we continue to have a positive impact on our planet, our people and wider society. Our products and technologies contribute to the global transition to EVs and a net zero economy. At the same time, we are increasing the sustainability of our operations. We are inspiring and developing our employees, seeking to maintain the highest health and safety standards, whilst building long-lasting partnerships with our customers, suppliers and other stakeholders.

Throughout the process of the demerger and the creation of Dowlais, we have focused on establishing our sustainability governance framework. We have carried out a materiality assessment to prioritise activity and developed a series of Group sustainability-related policies, which set out our expectations in certain key sustainability areas, including the environment, health and safety, energy and sustainable sourcing. At a Group level, we have established a central sustainability function and procedures for monitoring, assuring and reporting on our performance. We have assessed our risks and opportunities under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have aligned to the UN Sustainable Development Goals and to the SASB Auto Parts sector standards, which will continue to inform development of our sustainability strategy.

Well positioned for sustainable growth

As a business, we are well positioned to deliver environmentally sustainable growth that benefits wider society.

The net zero transition

Our products, in particular those used in EVs, are supporting the automotive industry's transition to an electrified and greener future.

Changing investor landscape

We are confident that our strategic focus on sustainability will help enable long-term value creation, ensuring we meet our investors' expectations.

Evolving customer requirements

Our businesses are developing innovative solutions in response to the changing needs of our customers, supporting them as they work towards their own ambitious climate targets.

Shifting global mobility patterns

Our businesses have embraced electrification, and we are well positioned to positively influence the world's changing approach to personal mobility.

The potential of hydrogen

Hydrogen has significant potential to contribute to the green economy, but only with safe storage for green hydrogen. As a pioneer in metal hydride hydrogen storage systems, GKN Hydrogen is innovating and leading in this area.

HOW WE DO IT – OUR SUSTAINABILITY APPROACH

As a new business, we wanted an approach to sustainability that built on the extensive work done by our businesses over many years, but also allowed us to develop a Group-level approach that we could communicate easily to stakeholders.

As a supplier to over 95% of global OEMs, we play an essential role in the transition to sustainable mobility, delivering the technological innovation required to enable a net zero economy. In addition, as a both a Tier 1 and 2 supplier, we understand that our customers cannot meet their ESG goals, without us meeting ours.

In addition, as a Group we believe in the importance of taking responsibility for our people, planet and society, constantly striving to inspire our employees, build long-lasting partnerships with our customers, suppliers and investors and care for our communities and our world.

Governance

Our approach to sustainability is embedded in all aspects of what we do. Prior to the demerger, we established a central sustainability function. We have since formed a Group Sustainability Committee, chaired by our Chief Executive, to oversee all our activity. As membership of this Committee includes the Chief Executives of all our Business Units, as well as various specialists, it is an ideal forum to monitor both business performance and share best practice and ideas. To ensure consistency across our operations, we developed a comprehensive set of policies and processes for all our ESG issues.

The Board is updated quarterly on our sustainability progress and has retained responsibility for setting these policies.



A full description of our approach to sustainability governance is set out in our TCFD Statement on pages 48 to 58.

Our Group-level materiality assessment

In 2023, we completed a materiality assessment to identify the Group's most significant sustainability issues. The results have increased our understanding of our key economic, social and environmental impacts, risks and opportunities, and laid the foundations for the development of our approach to sustainability. We engaged with a range of internal and external stakeholders to help us determine our highest-priority sustainability topics. This was facilitated through a mix of quantitative scoring and qualitative interviews.

Key stakeholders included shareholders, customers, suppliers, Non-Executive Directors, business unit CEOs and industry think tanks. The assessment was discussed by our Group Sustainability Committee, before being approved by the Board in November. Full details of our materiality process are set out in our stand-alone Sustainability Report. This assessment will underpin the development of our double materiality assessment (which will include a more granular understanding of the financial impact of these issues), which we plan to undertake in 2024. This will be an important step to ensure we are ready for the EU Corporate Sustainability Reporting Directive (CSRD). It is our ambition to refresh our materiality assessment at least every three years, supplemented with annual high-level assessments if there are significant changes to the Group's business model or the external landscape.

Our Material Issues

Very high priority

- Health, safety and wellbeing
- Product safety and quality
- Ethics and integrity
- Diversity, equity and inclusion
- Responsible sourcing
- Greenhouse gas emissions

High priority

- Product sustainability
- Human rights
- Talent
- Fair working practices

Medium priority

- Community
- Waste management
- Water management
- Biodiversity

Sustainability Framework

Our materiality assessment informed the creation of our Sustainability Framework, which enables both robust internal conversations about progress in particular topics, as well as helping stakeholders navigate the various issues we are managing.

We are taking a comprehensive and systematic approach to ensure our operations are aligned with our commercial strategy while our businesses are empowered to manage their day-to-day activities and deliver on their respective targets. This ensures we can make rapid progress with agile decision making that's relevant to customers.

→ See our Section 172 Statement on page 42 and pages 39 to 41 for more information on our wider approach to stakeholder engagement.

Looking ahead

At a Group level, in 2024 we will continue to work towards realising our sustainability strategy and delivering on our ambitions. We are reviewing KPIs and legacy business unit targets. This process will benefit from continued improvements in how we measure our performance data. We expect this will allow us to react faster and more effectively to the rapidly evolving regulatory landscape and continue to meet the needs of our customers and other stakeholders as they change over time.

In addition to preparing for the CSRD, our priority actions for the year ahead include working towards meeting the requirements of the EU's Carbon Border Adjustment Mechanism (CBAM), aligning our operations with the recommendations of the Transition Plan Taskforce and completing an integrated assessment of our supply chain and operational human rights risks, following the UN Guiding Principles for Business and Human Rights. Alongside these Group-level actions, our business units will continue to focus on making progress against their priority areas and continue with their carbon reduction plans.

→ See our standalone Sustainability Report to find more on our approach

SUSTAINABILITY FRAMEWORK

Our purpose

ENGINEERING TRANSFORMATION FOR A SUSTAINABLE WORLD

Our sustainability pillars

PLANET AND CLIMATE

Our products and operations underpin Dowlais technological innovation to enable a net zero economy.

- Climate change
- Product sustainability
- Natural resources

PEOPLE AND SOCIETY

Our business practices ensure safety and wellbeing while contributing to the communities where we operate.

- Health, safety and wellbeing
- DE&I, talent and fair working practices
- Community

Our material topics

UNDERPINNED BY HIGH STANDARDS OF GOVERNANCE

- Product safety and quality
- Responsible sourcing and human rights
- Ethics and integrity

ENGINEERING TRANSFORMATION

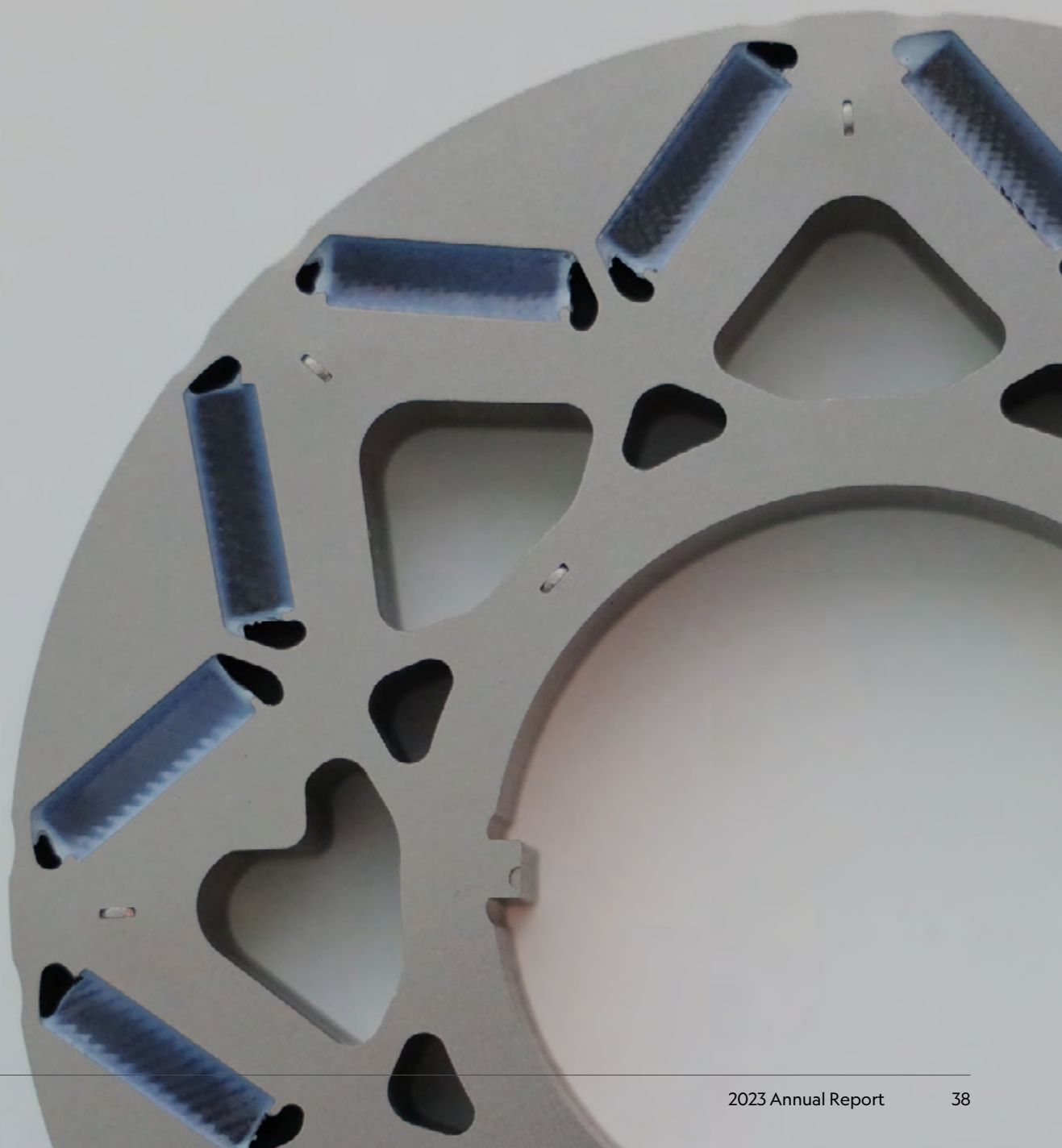
Permanent magnets

Used in the vast majority of electric motors, permanent magnets are critical to the production of EVs and renewable energy systems.

Demand for permanent magnets is expected to increase, but securely and reliably sourcing magnets is a potential challenge for automotive supply chains. This presents an opportunity to offer a stable, localised sourcing solution. As a trusted partner to global automotive OEMs and Tier 1 suppliers, we understand their challenges and are well-positioned to use our powder metallurgy expertise to meet their requirement for a local, secure source of permanent magnets.

To meet expected increases in demand, we have been investing in our magnet research and development facilities in both Europe and North America, whilst installing our first production line in Germany. When it comes to permanent magnets, the supply chain is key, so we also continue to develop our 'mine-to-magnet' strategy by finding better ways to source raw materials, building new partnerships and planning for volume production.

Permanent magnets are vital to the delivery of a low-carbon future. In addition to EVs and other electric mobility applications, we see growing demand for use in renewable energy systems, including wind turbines. Our team is already exploring opportunities in these markets.



ENGAGING WITH OUR STAKEHOLDERS AND SECTION 172 STATEMENT

Ensuring we engage with our stakeholders and properly consider their interests is crucial to the long-term success of the Group.

Our Board recognises the importance of considering the interests of the Company's stakeholders in its decision making. It has identified the Company's key stakeholder groups, which are set out below.

Stakeholder group			
	Why we engage	How we engage	The impact of that engagement
Our Investors  Our shares are held by institutional and retail investors from across the world. Other key stakeholders include our lenders, covering analysts, proxy advisers and rating agencies.	- To ensure access to equity and debt capital. - To comply with our regulatory obligations. - To drive high-quality governance and effective management. - To ensure our business and performance are well understood. - Our shareholders own our Company, making them our key stakeholder.	- In 2023 our Executive Directors had over 100 meetings with shareholders or potential new investors. - Our investor relations team regularly engages with covering analysts and the Board receives updates on share price performance, the shareholder register and shareholder views and sentiment. - We held a capital markets day prior to the demerger and hosted an investor site visit in Vigo, Spain in October 2023. - Our Remuneration Committee Chair wrote to major shareholders to seek their input on our proposed Directors' Remuneration Policy. - The Chair meets with major shareholders on request. - We engaged with significant shareholders on our sustainability materiality process.	- Feedback from investors was reflected in the Group's purpose, strategic framework and strategy reviews. - Feedback from investors was reflected in our proposed Directors' Remuneration Policy. - The Board reviewed and approved all trading updates, results announcements and similar shareholder communications.
Our People  We have a global workforce made up of approximately 30,000 employees. We also engage with our non-employee workers, and those who no longer work for us but are members of our pension schemes.	- Our employees are a key strategic asset. - To improve workforce motivation, morale and productivity. - To improve employee retention and reduce turnover. - To identify solutions to problems we face. - To identify the needs of our workforce.	- We undertake engagement surveys in all business units, with Powder Metallurgy and Hydrogen undertaking updated surveys in 2023. - The Chair and Senior Independent Director met with employees and trade union representatives when they visited GKN Automotive Oleśnica in October. - Regular town-hall and 'skip-level' meetings are hosted by Business Unit Leadership teams. - The Group operates a Workforce Advisory Panel to review employee engagement across its business units. - We consult with unions and employee representative bodies on relevant decisions, such as the closure of our site in Mosel, Germany.	- The Board approved and adopted Our Code, which sets out our expectations for all our employees. - The Board approved our Diversity, Equity & Inclusion Policy and approved ethnic diversity targets for the Group's senior management. - We achieved an Accident Frequency Rate of less than 0.1 in the year, helping to keep our people safe. - We successfully navigated the impact of the UAW strikes in the US whilst minimising the impact on our workforce and supporting them throughout. - We negotiated successful agreements with recognised trade unions and workers representatives across our business.

Stakeholder group			
	Why we engage	How we engage	The impact of that engagement
Our Customers  Our major customers are light vehicle manufacturers. We also have many customers at other tiers of the automotive supply chain, or in other industries.	- To help maintain our market-leading positions. - To identify and secure new business opportunities and ensure our products meet our customers' needs. - To ensure uninterrupted supply and address issues or concerns where they arise.	- We operate account teams dedicated to each of our vehicle OEM customers and have regular contact with our customers at all levels of our business. - On significant commercial matters, our Chief Commercial Officers, Account Team Vice Presidents and other senior leaders communicate directly with senior executives at our customers. - We host customer-focused "Drive" events, to give our customers the opportunity to see our products in action. - We engaged with key customers on our sustainability materiality process.	- The Board receives regular updates from the Executive Committee and Business Unit CEOs on customer topics. - In response to the high inflation environment, we successfully negotiated inflation pass-through arrangements with our customers. - We engaged with our customers in the US to minimise the impact of the UAW strike action.
Our Suppliers  We operate in global supply chains, work with hundreds of suppliers who provide us with raw materials, sub-components and services we need to deliver our products and run our business.	- To obtain competitive pricing, quality and reliability of supply. - To access advanced materials and components. - To ensure we have reserved manufacturing capacity where we need it. - To ensure responsible sourcing practices in our supply chains.	- We aim to build deep relationships with our strategic suppliers, managed by dedicated procurement teams who are specialists in the products and services we source. - Inviting our strategic suppliers to Supplier Conferences, so they can understand our strategy and what we need from them. - Undertaking supplier audits and inspections, to ensure our suppliers are meeting their obligations.	- There were no new major supplier quality concerns in the year. - We issued our Group Supplier Code of Conduct, which can be found at dowlais.com/suppliercodeofconduct. - Our business units addressed requests for price increases in a fair and consistent manner.
Society and Communities  As a global business, we understand that we have an impact on society, the environment and the local communities in the countries in which we operate. Across the world hundreds of millions of people use vehicles containing our products every day.	- To maintain our reputation as a responsible and ethical business. - To attract, motivate and retain employees at all levels of the organisation. - To conserve resources and reduce our impact on the environment.	- Regular meetings with key local stakeholders in the locations in which we are based, and membership of local community organisations and forums. - Supporting local charities and not-for-profit organisations by donations and volunteering. - Participating in university and educational partnerships and supporting employment and apprenticeship schemes.	- We established our purpose: engineering transformation for a sustainable world. - GKN Automotive and GKN Powder Metallurgy submitted net zero targets to the SBTi for validation. - The Board reviewed and approved our sustainability materiality assessment. - We made cash donations of around £710,000 to charities and good causes in 2023. - We published our first Modern Slavery and Human Trafficking Statement. - The Board adopted our Product Safety Policy.

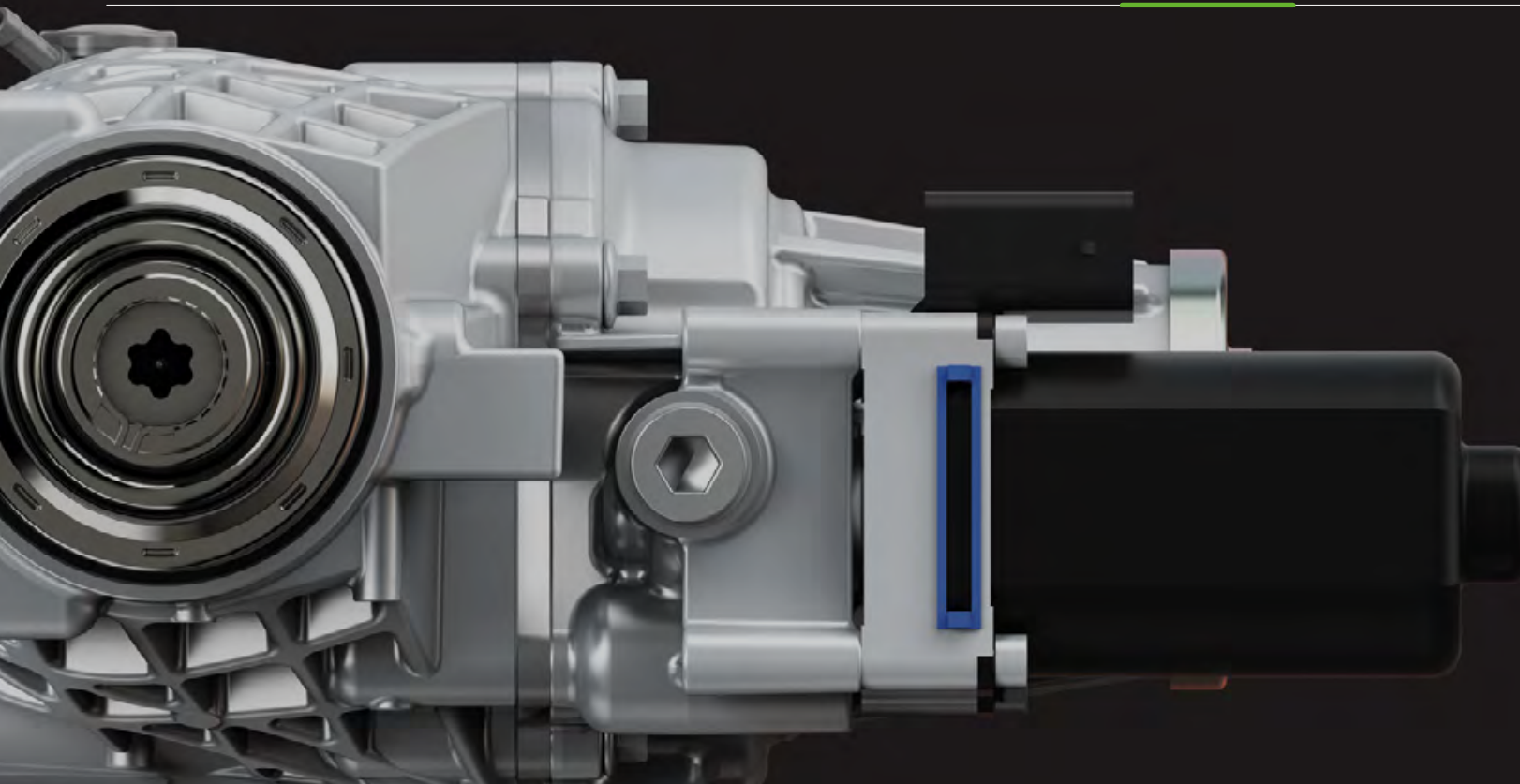
Stakeholder group			
	Why we engage	How we engage	The impact of that engagement
Governments, Regulators and Non-Government Organisations  As a global business, we interact with governments, regulators and other organisations in the markets and territories in which we work.	- To allow us access to opportunities. - To help protect our reputation and to be a responsible corporate citizen. - To fulfil our legal obligations. - To maintain our "licence to operate".	- We engage with governments on key local and national issues that affect our industry and our business. - We engage in regular dialogue with relevant tax authorities, including with HMRC in the UK with whom we communicate frequently. - We are a member of numerous industry bodies and trade associations in the automotive industry.	- We paid approximately £61 million of corporate income taxes in 2023. - We published our Tax Strategy which can be found at dowlais.com/our-company/policies. - We engaged with the Hungarian Investment Promotion Agency and local authorities on the construction of our new manufacturing plant in Hungary.
Our Joint Venture Partners  We operate parts of our business through joint ventures and seek to create long-lasting and mutually beneficial relationships with our joint venture partners.	- To ensure our joint ventures are successful. - To protect our market-leading positions.	- Our management teams meet regularly with management teams from our joint venture partners. - We have seats on the boards of our material joint ventures, and we engage constructively and positively in joint venture board and shareholder meetings. - We interface with our joint ventures at all levels of our organisation where necessary.	- We celebrated the 35th anniversary of the establishment of our SDS joint venture in China. - We worked with our JV partner HASCO on the future strategy for the SDS business as the Chinese vehicle market continues to rapidly evolve. - We continued to successfully operate our other long-running joint ventures.

Reflecting stakeholders and section 172 factors in Board decisions

Section 172(1) of the Companies Act 2006 provides that each Director must ensure that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among 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 business relationships with suppliers, customers and others; (d) the impact of operations on the community and the environment; (e) the desirability of maintaining a reputation for high standards of business conduct; and (f) the need to act fairly between shareholders of the Company.

Examples of decisions taken by the Board in 2023 and the stakeholders and other section 172 factors that the Board considered when taking those decisions are set out below. These examples demonstrate how the Board, both individually and collectively, has had regard to the matters set out in section 172(1)(a) to (f) when performing its duty under section 172, during the year ended 31 December 2023.

	Board decision	Stakeholders and 172 factors considered
Purpose and strategic framework	The Board approved and adopted the Group's purpose at its September Board meeting. The Group's purpose is engineering transformation for a sustainable world. At the same time the Board adopted the Group's wider strategic framework (see page 4). In taking these decisions, a wide range of relevant stakeholders were considered, as were the long-term consequences of adopting our purpose and strategic framework, which are intended to guide the Board's decision making in both the short and long term.	Our Investors, Our People, Our Customers, Our Suppliers, Society and Communities, Environment Long-term consequences, Reputation for high standards of business conduct
Dividend policy	The Group's dividend policy was considered and approved at the September Board meeting, following which the Company declared its first interim dividend. In determining the dividend policy, the Board was mindful of balancing the interests of investors in receiving an attractive dividend, with the longer-term capital requirements and growth opportunities of our businesses. The Board also recognised that shareholders have differing views on the value of dividends and on how the Group uses its cash, and the dividend policy seeks to achieve a fair balance between the interests of shareholders.	Our Investors Long-term consequences, Acting fairly between shareholders
Our Code	Our Code is the Group's employee code of conduct. It sets out the standards expected of all our employees globally. In preparing and adopting Our Code, which was adopted at the June Board meeting, the Board considered the interests not only of employees, who are the principal focus of Our Code, but of the Group's wider stakeholders including customers, who increasingly take an interest in documentation of this nature and our reputation for ethical conduct. Our Code expressly addresses the interests of a range of the Group's stakeholders, including customers, suppliers, society, communities and regulators.	Our Investors, Our People, Our Customers, Our Suppliers, Society and Communities, Environment, Governments, Regulators and NGOs Reputation for high standards of business conduct
ESG materiality assessment	As set out on page 36, the Group has undertaken an ESG materiality assessment which was reviewed and approved by the Board at its November meeting. The purpose of such an assessment is to ensure that the interests of all relevant stakeholders are reflected and understood, and as such the Board considered those interests when approving the assessment. An average was taken of stakeholder scores, to give a combined measure of stakeholder importance of each topic and ensure that the interests of stakeholders was balanced. The assessment will help shape our long-term sustainability strategy.	Our Investors, Our People, Our Customers, Our Suppliers, Society and Communities, Environment Long-term consequences, Reputation for high standards of business conduct
First annual budget	At its November meeting, the Board approved the first annual Dowlais Group budget. This necessitated the consideration of the impact on a range of stakeholders, most crucially our investors, but also our customers, our people and our joint venture partners, for whom our investment decisions and financial targets are very relevant.	Our Investors, Our People, Our Customers, Our Joint Venture Partners
Policy framework	As Dowlais prepared for its demerger and listing in April 2023, the Board approved our Group policy framework, to ensure that the necessary processes and controls were place to effectively operate as a stand-alone listed company. In doing so, the Board was mindful first and foremost of preserving the Group's reputation for high standards of business conduct, but also the interests of other stakeholders to whom the policy framework relates.	Our Investors, Our People, Society and Communities Reputation for high standards of business conduct



ENGINEERING TRANSFORMATION

ePowertrain components

Many drivers may not appreciate the importance of the torque management components in their car, but they are often critical for providing safety, stability, control and comfort.

Without them, not only would the driving experience suffer, but the vehicle would be less efficient. These components include advanced differentials such as mechanical and electronic limited slip differentials, locking differentials and disconnect devices. They manage torque and direct it where and when it is needed, improve driving efficiency and enhance the driver experience, whether in EVs or ICE vehicles.

For example, our electronic differential lockers and torque managers improve traction on challenging terrains so drivers are always confident of navigating safely, both on and off-road. With optimised torque distribution, vehicles are more stable during cornering and manoeuvring. Electronic disconnect devices reduce residual torque and energy loss, lowering energy consumption. This contributes to higher vehicle range, a critical factor for EVs, and is just one of the reasons we see these components as a growth opportunity. Our solutions can also drive further efficiencies in electrified powertrains, enhancing EV off-road capabilities and compensating for increased vehicle weight.

PLANET AND CLIMATE ACTION

Committed to protecting and respecting our environment

Contributing to a cleaner, more sustainable world is more than an aspiration for Dowlais, it is a central part of our business strategy. Our technology helps facilitate the transition to EVs, itself a necessary change to enable a net zero economy. That contribution is underpinned by our work to embed sustainable practices throughout our own organisation, utilise resources more efficiently and minimise our direct environmental impact. We have a deep commitment to addressing our environmental impacts, backed up by ambitious targets and robust policies.

Throughout the year we have worked to leverage the capabilities and experience of our businesses to strengthen our approach to climate action. As a newly formed Group, with a clear understanding of the climate risks and opportunities that impact our businesses, we are driving continuous improvements in our approach to emissions reduction and reducing and eliminating wider environmental impacts.

Cutting our emissions

We recognise the serious threat posed by climate change and the urgent need for meaningful action. It is also core to our strategy. As EVs become more widely adopted, the carbon footprint of the automotive industry will reduce, but for our customers to meet their emissions reduction targets, we will need to reduce ours.

We are proud to have submitted our emissions reduction targets for validation by the SBTi and to have GKN Automotive's targets validated. We also maintained the CDP score of our business's previous owners, being rated as C, which we plan to work to improve in 2024. Across the Group, our business units continue to make progress and are implementing carbon reduction plans by sourcing more renewable energy, improving energy efficiency and addressing emissions from our supply chain.

Emissions performance

This year, the Group's Scope 1 and 2 greenhouse gas (GHG) emissions fell by 6.4%, against an increase in revenue of 6.3% at constant currency. Our emissions intensity fell by 11.6%. In our next Annual Report, we expect to publish our first Transition Plan, demonstrating our journey to net zero by 2050, in line with our science-based targets.

Emission reduction in action

GKN Automotive's facility in Bruneck, Italy, provides several examples of measures that have reduced the business's carbon footprint. The plant is powered by 100% green electricity, an initiative that began in 2012 and saves 5,000 tons of CO₂ annually. A groundwater cooling system installed at the plant saves 1MWh of energy annually. It also incorporates a heat recovery system, which means waste heat from machinery can be used to supplement the hot water and heating supply in the buildings, thereby reducing the amount of energy the plant uses for heating.



A changing climate presents multiple business risks to our operations. These include transition risks such as changing customer behaviour, carbon pricing and regulation, and new technologies. There are also physical risks which could impact facilities and supply chains such as severe weather. However, it is important to recognise the opportunities created, not only in terms of new revenue streams but also through operational efficiencies that help drive margin expansion.

 **For more detail on our climate-related risks and opportunities see our TCFD statement on pages 48 to 58.**

Energy usage

Our ambition to improve our energy efficiency as part of our decarbonisation plans is set out in our Energy Policy and Environmental Policy, which include ensuring ISO 14001 certifications at all manufacturing sites. We are pleased that total operational energy consumption fell by 3.5% in 2023, but there is more to do as we become more efficient, alongside the transition to renewable sources of power. Renewable electricity made up 10% of our total energy use in 2023 (up from 8% in 2022) and we expect to see this grow significantly as we secure more supplies of clean electricity for our operations.

Establishing our SBTi targets

Our Group policy is that all business units should be covered by science-based targets, ensuring our Group performance is in line with the best available science. Given the very different nature of each business, it is appropriate that they set their own decarbonisation ambitions and have them validated independently. GKN Hydrogen's emissions, at a Group level, are currently de minimis, and accordingly at this stage we do not intend to adopt an SBTi target for that business. Nevertheless, as a growing business in the green economy, the business will remain focused on minimising emissions as it grows, and securing renewable electricity as it expands.

GKN Automotive's validated SBTi targets

In 2023, GKN Automotive had its GHG reduction targets for 2030 and a net zero target for 2045 validated by the SBTi, demonstrating its robustness and alignment with climate science. This solidified its target of reducing Scope 1, 2 and 3 emissions in line with achieving net zero and builds on its multi-year focus on carbon reduction. GKN Automotive expects to achieve Scope 1 and 2 emissions reductions needed to reach these targets in several ways. Energy efficiency will be improved through equipment upgrades, better equipment control and insulation and by reducing the business's reliance on fossil fuels. Growing its use of renewable energy will also help to reduce its emissions over time. Its Scope 3 emissions are more difficult to reduce, but are expected to decline as adoption of EVs increases and it works with suppliers that are decarbonising their operations. In 2024, GKN Automotive plans to develop net zero plans across its key manufacturing sites.

GKN Automotive's SBTi targets

45%

reduction in absolute Scope 1 and 2 GHG emissions by 2030 from a 2021 base year.

25%

reduction in absolute Scope 3 GHG emissions by 2030 from a 2021 base year.

Net zero GHG

A commitment to reach net zero GHG emissions across the value chain by 2045.

The business also expects to sign its first renewable energy purchase power agreement (PPA). Finally, the GHG emissions of its supply chain will be reviewed as it targets a reduction in Scope 3 emissions.

GKN Powder Metallurgy targets submitted to SBTi

In 2023, GKN Powder Metallurgy developed its first decarbonisation roadmap, with well-defined GHG reduction targets for 2030 and a net zero target for 2050. This was created in alignment with the resources and guidance of the SBTi and submitted to it for validation. A newly formed decarbonisation committee will lead the work to deliver the roadmap, which outlines how the reductions are expected to be achieved. This includes transitioning electricity consumption to green sources, improved operational efficiencies, replacing natural gas consumption and decarbonising transport, among other activities. The business has already been making progress, with its plants in Buzău, Romania, and Hortolândia, Brazil, converting to full renewable energy use in 2023 and an efficient new heating system installed at its plant in Milan, Italy.

GKN Powder Metallurgy's SBTi targets

42%

reduction in absolute Scope 1 and 2 GHG emissions by 2030 from a 2022 base year.

25%

reduction in absolute Scope 3 GHG emissions by 2030 from a 2022 base year.¹

Net zero GHG

A commitment to reach net zero GHG emissions across the value chain by 2050.

1. Covering fuel- and energy-related activities, upstream transportation and distribution, downstream transportation and distribution, and processing of sold products.

Cutting carbon through technological innovation

GKN Automotive's relentless pursuit of technological innovation is evident in its market-leading AWD systems technology. For instance, their AWD disconnect system significantly reduces CO₂ emissions by up to 80%. New generation AWD components are 30% more efficient and 20% lighter than previous generations and are made from 98% recyclable materials.

Similarly, the development of its next generation 3-in-1 eDrive system has increased product durability by 25%, now achieving more than 320,000 kilometres, which means that with less material embedded in and energy required for the product manufacturing, it will last longer, contributing to reduction of its ultimate environmental impact.



Product sustainability

Across the Group we are developing products and technologies that address the world's sustainability challenges. However, the way in which we make our products, the processes we use and how easily our products can be reused and recycled is equally important. We must therefore ensure we better understand and improve the lifetime environmental impact of our products. GKN Automotive focused on developing its internal capability for both carbon footprinting and product life cycle analysis (LCA) in 2023. A new "Product Sustainability Office" was established in the year, dedicated to improving the ways the business measures the carbon impact of its products. This new team will support the creation of indicative carbon footprint reports for its products and help embed carbon impact considerations in new product development. GKN Powder Metallurgy's design and manufacturing processes already incorporate a significant degree of circularity. Most of its raw materials usage, primarily base irons, comes from recycled steel. It also buys back green scrap and powder, and selected sintered scrap, from customers to reuse in certain products, further reducing the end-of-life impact on the environment.

Engineering innovation and behaviour change to reduce energy use in Bruneck, Italy

GKN Powder Metallurgy's plant in Bruneck, Italy, has created an innovative system to save energy and ensure excess heat from its machinery doesn't go to waste. Surplus heat from its sintering furnaces is used to supplement the heating of water and the central heating supply in its buildings thanks to a heat recovery system. Excess heat is also fed into the city's local heating network. GKN Powder Metallurgy is exploring opportunities to bring similar systems to other plants.

Optimising Shift Patterns The team also reviewed all the operating practices at the sinter and secondary heating furnaces to find efficiencies. This resulted in changes to shift patterns which, in turn, meant the furnaces could be shut down for 20% longer than usual. This resulted in a saving of approximately 7,000 tonnes of CO₂e, without any extra capital expenditure. This project is continuing in 2024, with the goal of introducing this at all possible sites.

Natural Resources

All our operations are dependent on the natural environment and, while our materiality assessment deemed these areas relatively less material, we still understand their importance. We therefore have clear commitments to ensure we are diverting all waste from landfill by 2030, ensuring we have a robust approach to water stewardship and fully understand our wider impacts on nature and biodiversity. This has been enabled by developing an understanding of our risks following the recommendations of the Taskforce on Nature related Financial Disclosures.

Water

Water is an important issue for our customers globally and one we take seriously. In 2023 we continued to improve our water management practices by reducing water withdrawal and instilling responsible use across our footprint. Our commitment in this area is set out in our Water Policy. Dowlais' primary objective is to ensure that our businesses remain resilient against water-related risks, minimise potential impacts on water availability and quality, and encourage contributions towards addressing water challenges and enhancing water management practices. All our manufacturing sites have environmental management systems certified to ISO14001, or equivalent, which ensures they are compliant with legal obligations regarding water use, discharge, and consumption. This covers 100% of all our products sold. In 2023, we carried out an exercise to ensure our water data was ready for limited assurance under the EU CSRD. In 2024 we will take part in the CDP Water Security questionnaire. In our businesses, GKN Automotive is taking steps to better understand how it can reduce its water consumption. In 2023, it engaged a specialist consultancy to carry out a risk and data assessment for its current water use and measurement. These results will feed into our commitment to develop and implement a Group Water Stewardship Programme by 2025. GKN Metallurgy's fundamental approach to water conservation is through process optimisation. They aim to recycle as much water as possible, and only replace water when it is lost through vaporisation and during capital maintenance. They launched several water optimisation projects in 2023, including powder magnet separation, and improvements to sintering furnaces.

Waste

The materials that we use during the manufacturing of our products have a direct impact on the environment. It is important that we continue to reduce the amount of waste we generate as well as find ways to divert unavoidable waste from landfill. We have a Group level target of diverting 100% of the waste we produce from landfill by 2030 and we are currently on track. In 2023, we have assessed waste data collection processes across our businesses and are working to improve our waste management disclosures.

Biodiversity

We are committed to protecting biodiversity and minimising the potentially negative impact that the Group's businesses may have on the natural environment over the longer term. Our Biodiversity Policy sets our commitments and our approach to adopt a "No Net Loss" principle in our operations, to seek opportunities to reduce deforestation wherever possible, to compensate any potential negative biodiversity impacts with future reforestation and regeneration projects and to respect High Conservation Areas and threatened and protected species. Our businesses are expected to comply with and respect local biodiversity laws where applicable. In 2024, we will start work to understand our nature risks to support reporting under the recommendations of the Taskforce for Nature Related Financial Disclosures, although we can confirm already that none of our sites are close to any nature-protected areas or areas with endangered biodiversity.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES STATEMENT

Introduction

With this section, we aim to demonstrate to our stakeholders that climate-related thinking is embedded within our organisation and that relevant climate-related risks and opportunities are incorporated into our business strategy. The report covers the Group as a whole and all business locations and climate-related risks and opportunities within the Group.

Connectivity between TCFD, CFD and other disclosures

We have reviewed Dowlais' existing climate change governance, strategy, risk management process, metrics and targets against the TCFD recommendations and recommended disclosures as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017) and the associated FCA Listing Rules and Climate-related Financial Disclosures (CFD) requirements. Based on this assessment, Dowlais is fully compliant with all recommended disclosures which are set out in the following pages.

Governance

Board Oversight of Climate Change

Sustainability is central to our purpose at Dowlais. Our businesses enable the transition to a cleaner, more sustainable world. Since the demerger, Dowlais has established and implemented best-practice climate-related governance structures to support its strategy of developing exceptional products that advance the world's transition to sustainable vehicles.

The Board is responsible for the strategy and overseeing the performance of Dowlais. ESG and our approach to climate change, sits within the scope of matters reserved for the Board, with the Board's approval required for the Company's publicly stated ESG targets including emissions reduction and other climate-related targets, and for key climate related policies.

The Board's responsibilities include oversight of and ultimate responsibility for the Group's sustainability strategy, targets, disclosures, and reporting, including climate change, identifying, and considering climate-related risks and opportunities, and alignment with

TCFD recommendations. Whilst the Board has overall responsibility for managing the Group, day-to-day management responsibilities are delegated to the CEO and Executive Committee, who have in turn established the Group's Sustainability Committee.

The Board is also responsible for risk management, supported by the Audit Committee. The Board defines risk appetite and monitors the management of the Group's principal risks. The Group's principal risks and uncertainties are set out on pages 73 to 76, have been determined by the Audit Committee and approved by the Board. Sustainability Risk, including a failure to comply with stakeholder expectations, is a Group principal risk.

Frequency of climate governance processes at Board level

Given its importance, climate change (and sustainability more generally) is a standing agenda item for each Board meeting and a quarterly report (or more frequent if required) is prepared and presented by the Chief People, Sustainability and Communications Officer. The report provides an update on progress against climate-related targets of the Dowlais businesses and any significant emissions reduction programmes underway.

In 2023, the Board has overseen and contributed to substantial efforts to identify Dowlais' material issues. Greenhouse gas emissions were identified as one of the most material sustainability-related issues by Dowlais' stakeholders. Maintaining the highest product safety and quality, health and safety and well-being were also amongst the most material issues. Accordingly, these issues have been integrated into the Group Sustainability approach and the individual businesses' strategies, of which the Board has oversight. For more information on our materiality assessment please see our standalone Sustainability Report.

Our two largest businesses, GKN Automotive and GKN Powder Metallurgy, have already begun their net zero journeys, having implemented GHG reduction plans over a number of years. In 2023, they submitted near- and long-term science-based emissions reduction targets to the SBTi for approval in 2023. GKN Automotive, which comprises approximately 80% of Group revenue, has had its science-based targets validated. GKN Powder Metallurgy is awaiting its targets to be validated by H1 2024.

Dowlais intends to focus further on climate change in 2024, as net zero pathways are identified with a Group net zero transition plan to underpin our existing science-based targets. The Board will oversee this process and subsequently monitor and hold responsibility for ensuring progress against climate-related targets.

Management oversight of climate change

At Board level, the climate related oversight and responsibilities of the Board and its Committees can be seen on page 50.

The Group's Sustainability Committee is responsible for implementing the Group's sustainability strategy into its operations, including the Group's approach to climate change. The Sustainability Committee is chaired by the Group's Chief Executive Officer and its members include the Chief People, Sustainability and Communications Officer; the Director of Sustainability; business unit Chief Executive Officers and relevant supporting sustainability experts.

Business unit Chief Executive Officers have responsibility for implementing the Group Sustainability Strategy and climate change approach within their respective businesses. With support from sustainability leads, the business unit CEOs liaise with regional and divisional leads to capture information on emissions and details of any actions, such as strategic or financial planning, required to address climate-related issues before each Group Sustainability Committee meeting.

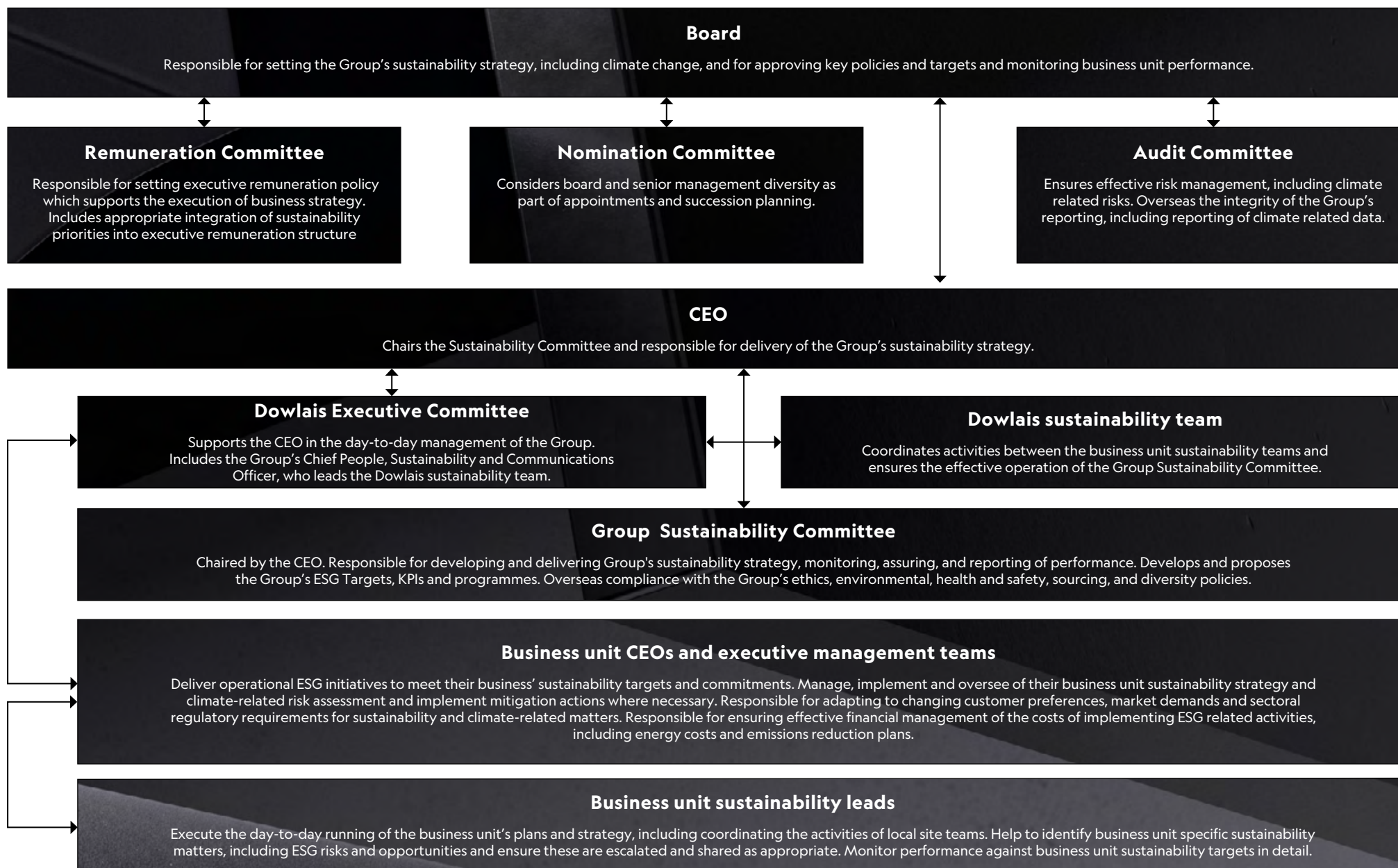
Site managers across the Group report to the regional and divisional leads to inform this update. As such, the business unit CEOs, through the Sustainability Committee, can escalate material sustainability and climate-related risks and opportunities to the Board as appropriate, ensuring that the implications of these are considered by the Board when setting the Group's strategy and, where relevant, financial plans, to address climate-related risks and pursue opportunities.

Frequency of climate governance processes at management level

The Sustainability Committee meets at least quarterly to discuss and review climate performance and data against targets, and to consider climate-related risks and opportunities. The Committee met twice in 2023, reflecting its formation after our demerger. In 2023, the Committee led the development of the Group Sustainability approach, following the completion of the first Group Materiality Assessment and intends to lead the development of the Net Zero Transition Plan in 2024.



Dowlais sustainability and climate governance structure



Risk management

Identifying and assessing risk

Overall responsibility for risk management within the Group resides with the Board, which determines the overall risk strategy and approach to risk management. Business unit management teams, under the leadership of the business unit CEO, are responsible for oversight and management of risk within their business unit.

Each site, location and function within a business unit maintains a risk register to track relevant site-related risks. These local and functional risk registers are consolidated up to the business unit level, and each business unit maintains a business unit risk register capturing the principal risks that it faces. The business-level risk registers are reviewed regularly by the business executive teams, and then consolidated at Group level, with Group principal risks presented to the Audit Committee as part of the annual reporting process.

Identifying and assessing climate risks and opportunities

As with all risks identified and monitored across the Group, and as set out in our Risk Policy, climate-related risks are assessed on a five-point scale for both the probability of the risk occurring and its potential impact (the financial and reputational outcome of the risk occurring), providing an overall risk score between 1 and 25. The risk score is calculated by multiplying the probability rating by the impact rating to achieve an overall low, medium, high, or severe descriptive risk rating.

As this is the first year of operation for Dowlais, a new climate scenario analysis was completed, to ensure that the specific climate-related risks and opportunities identified by the Group are aligned with the automotive industry. Physical and transition climate risks and opportunities were identified through a comprehensive assessment conducted with the assistance of third-party consultants. This assessment involved a combination of interviews with key stakeholders, including several internal functions and rigorous desktop research.

The biggest climate-related risk to Dowlais' businesses is the ability to adapt to technological change resulting from electrification of the automotive industry. This risk forms part of the Group's principal risk of Technology and industry evolution, details of which are set out on page 75.

The identification and assessment of climate-related risks and opportunities will be undertaken each year in preparation for our TCFD reporting requirements.

Integrating climate into wider risk management

After the climate-related risks and opportunities have been assigned a risk rating, those rated the highest are collated into a 'climate risk register'; they are then considered by the Audit Committee meeting as part of the preparation of this statement. The risk register is subsequently reviewed and signed off by the Board, with climate-related risks consolidated into a single sustainability principal risk. This incorporates climate change into the overall risk management process by allowing a Group-level view of climate risk but also helps us to understand the specific risks and opportunities that individual divisions face.

Management of risk

With Dowlais' support, each business unit invests in and implements appropriate systems and processes to manage their climate related risks and continually reviews these in line with evolving expected practices. Frameworks are in place for identifying principal risks and opportunities appropriate to each business and its stakeholders, which include climate-related risks. The executive management team of each business regularly reviews any significant climate-related issues, risks and opportunities related to the business. These reviews consider the level of climate-related risk that the business is prepared to take in pursuit of its business strategy. Any risk rated severe are deemed unacceptable and require additional action.

Risk analysis and strategy

Group climate risk approach and results summary

Existing and emerging risks associated with climate change pose physical and transitional risks as well as opportunities for Dowlais.

Two separate climate risk assessments have been carried out to reflect the differences in physical and transition risks and opportunities. Both these risk assessments included a Group-wide review of operations, customers, and the supply chain, and considered how each risk could impact revenue, assets and other costs. These assessments were completed with support from external consultants, thorough climate-related workshops and interviews across the business. Risks and opportunities have been prioritised to determine which have a material financial impact on the organisation using both likelihood (the probability of the risk occurring) and impact (the financial and reputational outcome of the risk occurring), resulting in a combined risk register with a low, medium, or high risk rating for each time horizon and scenario.



For more information on the Group's approach to risk management, see pages 71 and 72.

Specific transitional climate-related issues were identified and assessed over three different time horizons. These horizons allowed us to consider the lifespan of our assets and infrastructure as well as any longer-term regulatory changes and to consider our near and long-term SBTi commitments. The time horizons for our climate-related risk assessment are as follows:

- **Short term:** 2024–2025
- **Medium term:** 2026–2030
- **Long term:** 2031–2050

Our risk assessment and climate scenario analysis have shown that, in aggregate, the overall climate risk exposure for Dowlais is medium, and the Group is financially resilient and strategically robust to climate change. Our current understanding of climate-related risks is that any impacts on assets are limited, and risks can be accommodated in our business-as-usual activity considering our existing and planned mitigation strategies.

Dowlais will continue to develop this analysis as new data becomes available, both internally and externally, whilst continuing to monitor our climate exposures and action plans through the Group's risk management framework. The opportunities identified continue to be developed in line with the Company's strategy and objectives.

Scenario analysis

As part of Dowlais' assessment of climate-related risks and opportunities, we commissioned a climate scenario analysis to assess the resilience of the Group's business model and strategy regarding climate change under different scenarios. Different scenarios for both physical and transition risks and opportunities have been selected as they provide comparisons of ambitious, baseline and optimistic climate scenarios, which are appropriate for the nature of Dowlais' businesses and its operating environment. The scenarios used are outlined below.

All categories outlined in TCFD guidance on climate-related risks and opportunities have been considered in relation to our operations, supply chain and downstream but not all categories were applicable or material to our business.

Against the relevant risks, the risk impacts will be described using the risk scale of Low to Severe.

Score	Risk rating
1–4	Low
5–9	Medium
10–19	High
20–25	Severe

Physical climate-related risks

As global temperatures rise, the frequency and severity of extreme weather events are likely to increase, resulting in a higher chance of disruptions to our global operations and supply chain. We used the Munich Re Location Risk Intelligence Tool to assess current and potential future physical climate-related risks facing our facilities. The potential physical risks were assessed at 30 of Dowlais' most financially material sites based on sales data for 2022, which together represented over 70% of total sales. The sales revenue of each site was considered to determine the materiality of identified risks to specific sites.

Four climate-related scenarios were used, looking as far as the year 2100 for physical risks. These are the default scenarios in the Munich Re climate risk analysis software we used. They have been adopted by the Intergovernmental Panel on Climate Change and are appropriate standard scenarios to enable comparison with peers.

- **RCP 2.6:** a climate-positive pathway, likely to keep global temperature rise below 2°C by 2100. CO₂ emissions start declining by 2020 and reach zero by 2100.
- **RCP 4.5:** an intermediate and probably baseline scenario likely to result in a global temperature rise between 2°C and 3°C by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. Emissions peak around 2040, then decline.
- **RCP 7.0:** consists of a baseline outcome rather than a mitigation target and represents the medium-to-high end of the range of future emissions and warming resulting from no additional climate policy.
- **RCP 8.5:** a bad-case scenario where global temperatures rise between 4.1–4.8°C by 2100. This scenario is included for its extreme impacts on physical climate risks as the global response to mitigating climate change is limited.

Out of all the possible physical risks assessed in table below based on a combination of the likelihood of an event, the materiality of the location and the potential financial impact, we have identified one significant climate-related physical risk.

Physical Risk	Reasons for exclusion
Tropical Cyclone	Not identified as a climate-related risk. Not discussed further. No sites are projected above the low-risk zone, under any climate scenario by 2100.
River Flood	Not identified as a climate-related risk. Not discussed further. Although 14.8% of sites are currently identified within in zone 50 (representing a 1 in 50 year chance of an extreme flood), this is constant across the climate scenarios over time. Therefore this is not a climate-related risk. No additional sites are projected to move into the higher-risk zones under any climate scenario by 2100.
Fire Weather Stress	Not identified as a climate-related risk. Not discussed further. Although 22% of sites are currently identified as high or very high risk, this proportion does not increase under any scenario by 2100. Therefore this is not a climate-related risk.
Drought Stress	Not discussed further as good quality freshwater is not essential for the industrial processes at sites with risk exposure. Although 78% of sites are currently identified as very low or low risk, this will decrease to 52% of sites under RCP 4.5 or 45% of sites under RCP 8.5 by 2050, and further to 30% of sites under RCP 8.5 by 2100. Although no sites are identified in the higher risk categories currently, this increases to 4% of sites under RCP 4.5 or 19% of sites under RCP 8.5 by 2050, and further to 37% of sites under RCP 8.5 by 2100.
Heat Stress	Not discussed further as most activities at sites with increased risk take place indoors. Although exposure to high levels of Heat Stress was projected to impact an increasingly material proportion of sites, due to the nature of the Group's operations with most activities undertaken indoors, this risk was also not deemed material. Furthermore, sufficient controls are in place to manage extreme heat for those sites that currently have high exposure, which can be easily scaled up at minimal cost as exposure increases.
Precipitation Stress	Discussed below – becomes increasingly financially material.
Cold Stress	Not identified as a climate-related risk. Not discussed further. Although substantial exposure is identified currently, Cold Stress is a progressively declining hazard under all scenarios and time horizons so was discounted.
Sea Level Rise	Not identified as a climate-related risk. Not discussed further. 96.3% of sites are exposed to no hazard under all scenarios by 2100. Only one site is identified at medium risk under RCP 2.6 and 4.5, or high risk under RCP 8.5 by 2100.

Our findings indicated that a financially material proportion of sites (equating to 23% of total Group sales) are currently exposed to high, very high or extreme Precipitation Stress which is projected to increase under climate scenarios.

Risk	Damage or disruption from severe precipitation events
TCFD Category	Physical (Acute)
Area	Own operations
Potential impact on the business	– Productivity losses – Asset damage costs – Increased insurance costs
Time horizon	– Short-medium term (currently exposed, and projected to increase by 2030, but not substantially beyond 2030)
Likelihood	– High (currently exposed, and projected to increase under all scenarios)
Impact	– Low
Metrics used to track risk	– Number of days lost due to disruptions

Severe precipitation events, and the potential flash flooding that these can cause, have the potential to:

- Cause damage to site infrastructure, products and equipment stored at sites.
- Impact access to sites through damage to local roads and infrastructure.
- Cause disruptions to manufacturing output and delay production times, such as through power outages.

In addition, increasing exposure to severe precipitation may lead to higher insurance costs.

However, many of the sites currently identified with high exposure have not recorded substantial impacts to date as the existing mitigation measures are adequate.

Mitigation of physical risks

Business continuity plans and crisis management procedures are adopted by all our businesses. Business continuity procedures include ongoing preventative actions (for example, awareness of storm forecasts and stormwater network maintenance), steps to be taken in the first hour (for example, examination of exterior and closing off exposed areas), in the first 24 hours (for example, restoration of utilities and assessing damages) and following the incident (for example, notifying insurers of damages).



Transition risks and opportunities

We are exposed to the risks and opportunities that result in a transition to a low-carbon economy. The speed of this transition and the pace at which the economy decarbonises, will determine the severity and impact of climate transition risks and opportunities.

Our transition risks and opportunities were identified through a comprehensive assessment which involved a combination of interviews with key stakeholders, several internal functions and rigorous desktop research. The most significant climate-related transition risk to Dowlais' businesses is the ability to adapt to technological change resulting from electrification of the automotive industry. This risk forms part of the Group's principal risk of "Technology and Industry Evolution", details of which are set out on page 75.

All transitional risks are being actively managed, and have therefore been rated as mitigated to acceptable levels, with current controls and planned measures in place. Two climate-related scenarios were used: Net Zero 2050 (NZE), an ambitious "below 2°C" scenario; and a Stated Policies Scenario (STEPS) 3, which represents the roll forward of already-announced policy measures. This scenario outlines a combination of physical and transition risk impacts as temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a base case pathway with a trajectory implied by today's policy settings.

Potential impacts of the risks on the business and mitigation measures are considered and included in the following table along with the metrics used to track said risks. For each of the opportunities identified we have included a specific strategy to capitalise on that.

Key transition risks

TCFD category	Risk description	Area	Potential impact on the business	Mitigation / actions to manage risk	Metrics used to track risk	NZE			STEPS		
						Short term	Medium	Long term	Short term	Medium	Long term
Technology & Industry Evolution (Group Principal Risk 7)											
Market, Technology	Dowlais has market-leading technologies in the automotive industry and navigating the EV transition is core to our strategy. Inability to maintain sufficient technological differentiation, or adapt to technological change in key markets, particularly the major shift in the automotive markets resulting from electrification, is a risk. Products and technologies may over time become obsolete or un-competitive and will need to be replaced. Disruptive innovation by competitors, or the development of new technologies which eliminate or reduce demand for certain products is also a risk.	Own operations	- Adverse effect on revenue, revenue growth or profit margins. - Increased costs of R&D and engineering to keep pace with technological innovation. - Reduction in demand for products or failure to have product portfolio which meets market expectations. - Erosion of reputation as a technology leader in product markets. - Damage to our ability to attract and retain talent.	- Close relationships with our customers to understand their development roadmap and invest in technologies that will be used on next-generation platforms. - Horizon-scanning to identify new technologies and monitoring of competing technologies, including via teardown and testing. - Significant investment in engineering and R&D, particularly in EV and propulsion source agnostic components. - Significant patent portfolio and processes for protecting our innovation. - Focus on building a culture of innovation and attracting the best engineering talent.	- Revenue, % revenue from EVs - Revenue growth, Revenue growth from EV-related sales, - Profit margin, Profit margin from EVs - % total research & development (R&D) expenditure on climate-related R&D						
Climate performance											
Market, Reputation	Failing to reduce emissions in our own operations in line with market and customer expectations could damage our reputation ability to win business, and impact investor and OEM attempts to meet their own net zero targets, as our customers, investors, analysts and regulators are placing an increasing focus on our ability to operate sustainably.	Own operations	- Increased shareholder concern could lead to increased cost of capital and loss of investment. - Failure to maintain customer expectations on sustainability performance could lead to loss of trust, competitive advantage and ultimately commercial contracts.	- Reducing our emissions is a core part of our strategy. - Dedicated resources centrally and in each business to manage our decarbonisation activities. - Clear ambition with SBTi targets submitted (Scope 1-3 reductions). - Net Zero Transition plan to be developed. - Clear communication through dedicated sustainability report that meets stakeholder requirements.	- Scope 1-3 emissions - ESG rating agency scores - Revenue						

Risk rating

Low

Medium

High

Severe

TCFD category	Risk description	Area	Potential impact on the business	Mitigation / actions to manage risk	Metrics used to track risk	NZE			STEPS		
						Short term	Medium	Long term	Short term	Medium	Long term
Regulatory disclosures											
Policy and legal, Reputation	As a global business, we operate against a range of local and regional reporting requirements. As investors and governments put greater emphasis on transparency in climate performance, the risk of failing to meet disclosure expectations across all the territories we operate in, import from and export to increases.	Own operations	- Failure to comply with all relevant disclosure regulations could result in fines from regulatory bodies. - Litigation due to lack of compliance could result in loss of trust from customers and investors.	- Continuous improvement in sustainability reporting to align with external frameworks and rating agencies. - Appropriate resourcing in central functions.	- ESG rating agency scores						
Regulation including carbon pricing											
Policy and legal, Reputation	Carbon pricing and other taxes related to emissions of GHGs are likely to increase as the climate crisis worsens. This can affect all parts of our value chain, from the prices our customers are able to pay for our products, through to our own operating cost, and the costs we incur from our supply chain.	Own operations, Upstream, Downstream	- Price of carbon related to GHG emissions in own operations increases opex. - Increasing regulations on existing products (for example carbon intensity) increases costs and exposes the business to litigation. - Greater costs associated with emissions reduction activities. - Higher costs associated with carbon tax on Scope 3 emissions. - Higher costs of purchased goods and services as suppliers pass on costs.	- Monitor current and future taxes/carbon pricing costs/obligations. - Reduce our scope 1 & 2 emissions (according to our SBTi roadmap). - Complete LCAs so we can support our customer's transition roadmaps. - Work with suppliers to ensure they contribute to our reduction efforts.	- Scope 1,2 & 3 emissions - Renewable energy sourced - Profit margin						
Renewable energy costs											
Market	To meet our net zero commitments, we must secure adequate supplies of renewable heat and electricity. However, as demand for clean energy increases, there is a risk that the costs and volatility of sourcing renewable energy at requisite volumes in all our global markets increase exponentially due to a shortage of supply.	Own operations	- Increased operating costs. - Capital expenditure for installation of onsite renewables.	- Current and planned initiatives to reduce energy consumption. - Increased use of onsite renewables to reduce reliance on external supply.	- Opex - Capex - % of renewable energy						
Risk rating											
Low											
Medium											
High											
Severe											

Key transition opportunities

TCFD category	Opportunity description	Area	Potential impact on the business	Strategy / actions to exploit opportunity	Metrics used to track opps
Technology and Industry Evolution					
Products & Services, Markets	Innovation of our core product portfolio can lead to increased content per vehicle and/or market share gains if we develop products that are optimised for EVs and less carbon intensive to manufacture. Secondly, EVs offer growth channels through new products and components that are not present on ICE vehicles.	Own operations	- Potential revenue and profit growth from core portfolio. - Potential revenue and profit growth from new product segments. - Overall positive effect on revenue, revenue growth and profit margins.	- Identify the opportunity areas through close customer relationships and strategic portfolio management. - Invest in high potential products and divert R&D resources to the opportunities that can add value. - We protect our innovations through a carefully managed portfolio of patents. - We consider inorganic growth opportunities when appropriate, such as strategic partnerships and M&A.	- Revenue - Revenue growth - Profit margin
Climate performance					
Markets	The businesses are well prepared to meet client expectations relating to climate performance. A focus on de-carbonising the business would successfully enhance its reputation amongst clients and other stakeholders in the future, especially if it achieves its targets and goals before competitors.	Own operations	- Improving our sustainability performance could make us more attractive to investors. - Customer expectations on sustainability performance within their supply chain are increasing exponentially. By providing evidence of its strong sustainability credentials, Dowlais can strengthen ties with existing and new customers ultimately growing revenue and market share.	- SBTi targets submitted (Scope 1-3 reductions). - Net Zero Transition plan to be developed. - Investment in LCA. - Promotion of success in this area with our customers.	- Scope 1-3 emissions - Order book
Enhanced sustainability reporting					
Markets	As a global business, we operate against a range of local and regional reporting requirements. By meeting investor and government expectations, we have the opportunity to demonstrating transparency to all stakeholders.	Own operations	- Increased shareholder confidence could lead to greater investment opportunities. - Winning new business with customers, as they have confidence in our ambitions, resilience and ability to execute.	- Continuous improvement in sustainability reporting to align with external frameworks and rating agencies.	- Scope 1-3 emissions - ESG rating agency scores - Cost of capital
Supporting the energy transition					
Resource efficiency, Energy Source, Resilience	Opportunities to reduce operating costs through improving production efficiency, transitioning to green energy and improving business resilience through generation of own renewable energy, as a result of meeting climate-related targets.	Own operations	- Reduced production costs by improving operational efficiency, material efficiency and recyclability of products. - Reduced operating costs longer term through transition to green energy sources. - Reduced impact of carbon pricing in own operations and reduced energy bills through generation of own renewable energy on site.	- Energy efficiency and renewable energy targets built into our operational excellence principles. - Capital allocated to support operational efficiency and renewable energy goals. - Governance to monitor and support initiatives. - Employee awareness and engagement.	- Scope 1-3 emissions - Energy consumption

Metrics and targets

Climate-related metrics

Although the Group was only formed in April 2023, our businesses already have established data capture and management processes to support the monitoring of our environmental performance, including energy consumption and carbon emissions. We are working on further enhancing these systems to be ready for future reporting requirements and help set targets and enrich our strategies.

 **We track various metrics against our identified risks and opportunities as shown in tables in pages 55 to 57.**

We publicly report our Scope 1, 2 and 3 emissions. Calculations were made in accordance with the requirements of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, which covers the accounting and reporting of seven greenhouse gases. An operational control approach was adopted, with all material emissions sources reported.

Climate-related targets

Science-based emissions targets have been adopted as the most relevant to our climate-related risk, particularly relating to carbon pricing risks, and in order to directly manage our contribution to global climate change.

Both our major business units' targets are aligned with the SBTi. This ensures we are aligned with the UK's target to achieve Net Zero by 2050 as well as the best scientific practice.

 **Full details of business unit science-based targets are set out on page 45.**

In line with the SBTi, our targets do not include the use of carbon credits. Whilst no such action is planned currently, we may consider using offsets as an option for additional emission reductions beyond the science-based targets.

Progress against these targets will be monitored through our annual carbon footprint results, which will be collated by the Sustainability Committee and presented to the Board annually through the governance structures described in page 50.

STREAMLINED ENERGY AND CARBON REPORTING

Total energy consumption and GHG emissions for the period 1 January 2023 to 31 December 2023

Energy consumption (MWh)	UK 2023	Global (excl. UK) 2023	Total 2023	UK 2022	Global (excl. UK) 2022	Total 2022	Change (2023/22)
Total operational energy consumption	647	2,066,179	2,066,826	10,155	2,131,457	2,141,612	-3.5%
Total renewable energy consumption	-	144,697	144,697	-	119,875	119,875	20.7%
Share of renewable electricity in total electricity mix	0%	10%	10%	0%	8%	8%	22.0%
Energy consumption intensity			425			466	-8.8%
Fuels							
Total fuels consumption	219	656,313	656,532	4,322	712,007	716,329	-8.3%
Non-renewable fuels consumption	219	656,313	656,532	4,322	712,007	716,329	-8.3%
Renewable fuels consumption	-	-	-	-	-	-	0.0%
Electricity							
Total electricity consumption	428	1,408,344	1,408,772	5,833	1,418,283	1,424,116	-1.1%
Renewable electricity consumption (self-generated, purchased or acquired)	-	144,697	144,697	-	119,875	119,875	20.7%
Non-renewable electricity consumption (purchased or acquired)	428	1,263,647	1,264,075	5,833	1,298,409	1,304,242	-3.1%
Steam							
Steam consumption (purchased or acquired)	-	1,522	1,522	-	1,168	1,168	30.4%
Operational emissions (tCO₂e)¹							
Scope 1: Direct GHG emissions ²	41	123,060	123,101	791	138,207	138,998	-11.4%
Scope 2: Indirect GHG emissions (Location-based) ³	89	531,769	531,858	1,208	530,775	531,983	0.0%
• Total purchased electricity	89	531,496	531,585	1,208	530,575	531,783	0.0%
• Steam (purchased or acquired)	-	273	273	-	199	199	37.2%
Scope 2: Indirect GHG emissions (Market-based)	88	559,572	559,660	1,208	589,429	590,637	-5.2%
• Total purchased electricity	88	559,299	559,387	1,208	589,230	590,438	-5.3%
• Steam (purchased or acquired)	-	273	273	-	199	199	37.2%
Total Scope 1 and Scope 2 emissions (Location-based)	130	654,829	654,959	1,999	668,982	670,981	-2.4%
Total Scope 1 and Scope 2 emissions (Market-based)	129	682,632	682,761	1,999	727,636	729,635	-6.4%
Emissions intensity⁴ (Market-based)			140			159	-11.6%
Total Scope 3 emissions⁵			14,230,329			23,055,646	-38.3%
Total emissions							
Total Scope 1, Scope 2 (Location-based) and Scope 3 emission			14,885,288			23,726,627	-37.3%
Total Scope 1, Scope 2 (Market-based) and Scope 3 emissions			14,913,090			23,785,281	-37.3%

1. CO₂e – carbon dioxide equivalent, this figure includes GHGs in addition to carbon dioxide.

2. Scope 1 figures include emissions from fuel used on premises, transport emissions from owned or controlled vehicles, losses of refrigerant, and process and fugitive emission.

3. Scope 2 figures include emissions from electricity and heat purchased.

4. Company's chosen intensity measurement: emissions reported above normalised tonnes CO₂e per £m revenue. The data has been standardised from the source units in which it was initially collected. The revenue figures used to calculate the intensity ratio include continuing operations under operational control only.

5. Please see data annex for the full breakdown of Scope 3 upstream emissions.

Methodology

This section has been prepared for the reporting period of 1 January 2023 to 31 December 2023. We report on all of the material emission sources in line with an operational control approach method, as required in Part 7 under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and under the UK's Streamlined Energy and Carbon Reporting ("SECR") requirements. These emission sources fall within our Consolidated Financial Statements. We do not have responsibility for any emission sources that are not included in our Consolidated Financial Statements.

Our energy consumption and emissions data is reported in accordance with the reporting requirements of the Greenhouse Gas Protocol (GHG Protocol), Revised Edition and the Environmental Reporting Guidelines, including the SECR guidance dated March 2019. The GHG Protocol standard covers the accounting and reporting of seven Greenhouse gases covered by the Kyoto Protocol. The statement of alignment with the GHG Protocol and statement on SECR disclosures can be found in our Annual and Sustainability Reports. We currently disclose Scopes 1 and 2 and select Scope 3 GHG emissions, representing a breakdown of the Group's emissions by type and intensity measurement.

Emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2023 (the Department for Environment, Food and Rural Affairs ("DEFRA") factors) have been used to calculate Scope 1 emissions. Scope 2 emissions associated with the GHG Protocol "Location-Based" method have been calculated using International Energy Agency ("IEA") country-specific emission factors. Scope 2 emissions associated with the GHG Protocol "Market-Based" method have been calculated using residual mix emission factors from Association of Issuing Bodies 2022 (AIB) where applicable. In the absence of residual mix emission factor availability, International Energy Agency ("IEA") country specific emissions factors have been used in line with the GHG Protocol guidance. If sites generate their own renewable electricity or purchase electricity backed by contractual instruments (such as Renewable Energy Guarantee Origin), this has been taken into consideration within the calculations.

For comparability of environmental performance, we have disclosed emissions and energy data for GKN Automotive and GKN Powder Metallurgy business units for FY2022.

Energy efficiency action

A number of approaches were in place during the year to lower our energy consumption, including:

- Multi stacking to achieve maximum load capacity in our furnaces.
- Shift pattern adjustment to fully utilise equipment and shutdown underutilised equipment.
- Extensive awareness training on energy management.
- Peak load management.
- Installation of renewable energy sources on site.

- Slag door improvements for energy reduction.
- LED lighting installation.
- Recycling of heat waste wherever possible.
- Efficient belt loading of products.
- Double layer sintering wherever possible.
- Shut off furnaces and implementation of weekend energy saving mode.
- Use of automation loading units for direct loading.

Annex

Scope 1 & 2 emissions

Renewable electricity consumption increased in 2023 due to the procurement of renewable energy certificates to cover 100% of electricity consumption at our Oleśnica, Poland, site. Meanwhile, total electricity and fuel consumption decreased, in part due to energy efficiency actions taken as detailed above, leading to an overall decrease in non-renewable energy consumption of 3.8% and a fall in our scope 1 and scope 2 market-based emissions.

Scope 3 emissions

During 2023, we carried out a full assessment of our value chain emissions. Our evaluation confirmed that our value chain emissions are significantly greater than our operational carbon footprint, with our Scope 3 emissions accounting for 95% of our 2023 total emissions (2022: 97%). All applicable Scope 3 categories were calculated for inclusion in our carbon footprint. Category 11 (Use of Sold Products) is the largest category of Scope 3 emissions. However, some of these emissions – namely those associated with GKN Powder Metallurgy – are indirect and are outside of the "minimum boundary", and as such have been excluded from our Scope 3 footprint.

Three categories contributed a combined 96% of Scope 3 emissions in 2023 (2022: 94%). Identifying our carbon hotspots has enabled us to develop a decarbonisation roadmap and for our subsidiaries GKN Automotive and GKN Powder Metallurgy to submit Scope 3 targets aligned to the SBTi criteria for validation. The three categories are: for our businesses GKN Automotive and GKN Powder Metallurgy to submit Scope 3 targets aligned to the SBTi criteria for validation. The Three categories are:

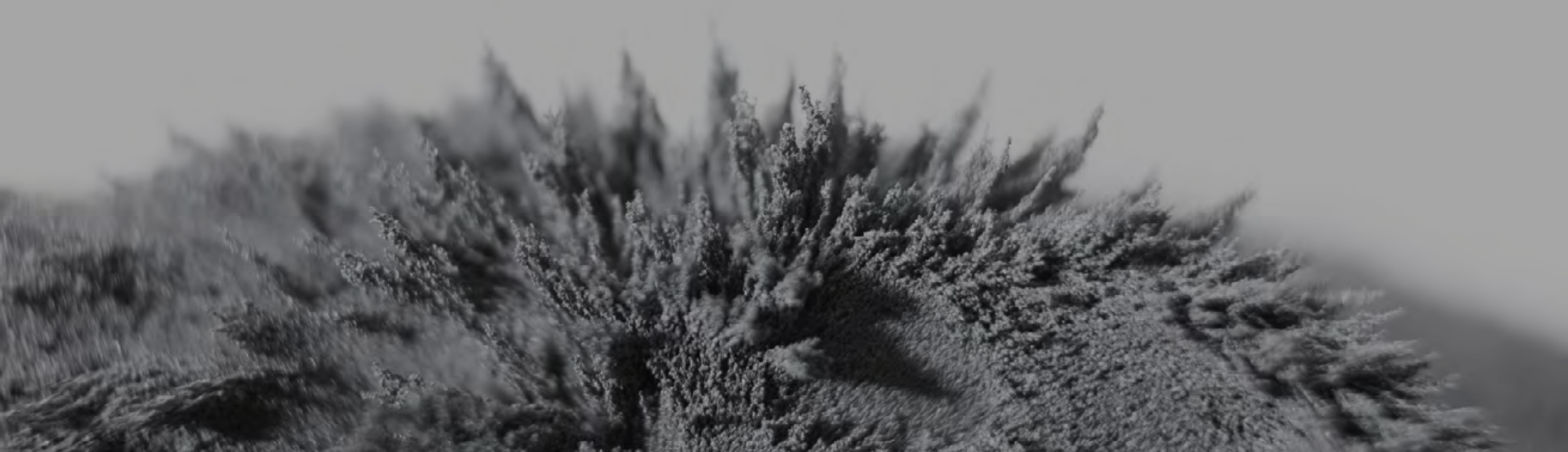
- Use of sold products (85% of scope 3) – only relevant to GKN Automotive and calculated using sales records with volume of product sold, type of vehicle and lifetime mileage data. Emissions were approximated using the proportionate weight of the product by weight of vehicle. At present, calculation of use of sold products is estimated based on several assumptions, however, Dowlais will strive to improve the accuracy of its emissions data over time and subject to data availability. Emissions associated with Use of sold products decreased considerably year-on-year, principally due to greater granularity of data and improvements in methodology.

- Purchased goods and services (7% of scope 3) – similarly to use of sold products, purchased goods and services emissions decreased substantially year-on-year for GKN Automotive for which a spend-based methodology was used. The change in emissions was due to a change in methodology and emissions factors. GKN Powder Metallurgy's emissions were calculated using a mix of average data and purchase data by spend of raw materials, components and services. GKN Powder Metallurgy's emissions associated with purchased powdered metal were approximated using emissions figures associated with its own powdered metal production which applies meaningfully similar processes to those of its competitors. The remaining purchased goods and services emissions were estimated using EEIO models; as more granular data becomes available we will refine this methodology and look to move towards a greater coverage using an "average data based" approach.

- Processing of sold products (3% of scope 3) – calculated using an average data approach. Processing of sold products is GKN Powder Metallurgy's most material category, due to the processing of its sold powdered metal. Emissions were approximated using emissions associated with its own sintering and processing of powdered metals operations which are meaningfully similar to those of its competitors. GKN Automotive used peer reviewed scientific literature to estimate an emissions intensity metric which was applied to weight of sold products. This category also decreased year-on-year due to efficiencies in production processes and better granularity of data.

Scope 3 categories

tCO ₂ e	Group		Dowlais HQ		GKN Auto		GKN PM	
	2023	2022	2023	2022	2023	2022	2023	2022
Category 1: Purchased goods and services	1,025,380	2,040,189	803	-	885,623	1,901,991	138,954	138,198
Category 2: Capital goods	12,171	14,680	110	-	-	n/a	12,061	14,680
Category 3: Fuel-and-energy-related activity	125,554	127,564	-	-	66,705	68,048	58,849	59,516
Category 4: Upstream logistics	129,970	128,902	-	-	112,703	104,031	17,267	24,871
Category 5: Waste generated in operations	7,162	11,714	-	-	4,262	8,691	2,900	3,023
Category 6: Business travel	10,812	5,794	128	-	8,178	3,818	2,506	1,976
Category 7: Employee commuting	29,302	27,996	15	-	22,415	21,056	6,872	6,940
Category 8: Upstream leased assets	26,973	27,657	-	-	26,973	27,657	-	-
Category 9: Downstream logistics	243,719	219,897	-	-	232,366	206,342	11,353	13,555
Category 10: Processing of sold products	428,473	502,442	-	-	154,183	206,442	274,290	296,000
Category 11: Use of sold products	12,164,245	19,050,270	-	-	12,164,245	19,050,270	-	-
Category 12: End of life treatment of sold products	9,472	15,050	-	-	9,472	15,050	-	-
Category 13: Downstream leased assets	-	-	-	-	-	-	-	-
Category 14: Franchises	-	-	-	-	-	-	-	-
Category 15: Investments	17,095	883,492	-	-	16,900	883,117	195	375
Scope 3 total	14,230,328	23,055,647	1,056	-	13,704,025	22,496,513	525,247	559,134



ENGINEERING TRANSFORMATION

Powder for LFP batteries

All batteries contain a cathode and an anode. The cathode is the electrode which absorbs electrons during discharge, and LFP batteries utilise lithium iron phosphate as the cathode material. LFP batteries provide enhanced safety, lower cost and increased cycle life when compared to other types of lithium-ion batteries. For these reasons, LFP batteries are becoming increasingly popular for use in electric vehicles and renewable energy storage systems.

High-purity iron is an essential raw material for LFP battery production. It is used to create the iron phosphate that is required to manufacture the cathode material and iron powder is increasingly viewed as an effective source of the iron needed for this process. GKN Powder Metallurgy provide high-purity iron powder for iron phosphate production, enabling the manufacture of LFP batteries using more environmentally friendly processes.

Our iron powder is produced using our proven high-volume powder production processes, resulting in consistent quality and performance tailored to the needs of our customers. The powder is manufactured from scrap metal, resulting in a fully recycled product, helping to reduce the vehicle's overall environmental impact. Whilst we are still in the early stages of growing our customer base, we are supplying powder for commercial use and actively engaging with battery manufacturers and their suppliers on the benefits our powder can bring them.

We believe that LFP will form an important segment of the battery technologies adopted by the automotive industry, with global demand set to increase significantly as the industry shifts to EVs. In addition, LFP batteries are also used extensively outside the Automotive sector, and we expect this technology to become more widely used as a result of the global transition to renewable energy. Our iron powder can also be used in other emerging battery technologies, such as lithium manganese iron phosphate (LMFP), and our expertise in powder manufacture and commitment to continuous innovation make us well positioned to play an important role in the growing use of this technology.

PEOPLE AND SOCIETY

Making a positive impact on our people and society

Dowlais employs approximately 30,000 people around the world, we rely on over 2,200 suppliers and we supply over 95% of global OEMs. As a global business, we recognise the impact we have on people both inside and beyond our organisation, whether that is in the safety of the products we sell, the impact on the communities where we have our operations, or the people working in our business and supply chains. Through everything we do, we have a real opportunity to make a positive contribution to wider society.

<0.1

Group Accident
Frequency Rate

74%

of workforce received
training in 2023

100%

of sites certified to
ISO9001 or IATF 16949



Health, safety and wellbeing

The health and safety of our people is our number one priority. We are committed to protecting our employees from injury and harm, focusing on continuous improvement to provide a safe and healthy workplace for all, and maintaining an Accident Frequency Rate of less than 0.1 across the Group, which we achieved in 2023.

We do this by having a culture of focusing on health and safety and maintaining the highest standards of operational health and safety throughout our operations. In accordance with our Health and Safety Policy, our businesses are required to have robust health and safety policies, processes, procedures and standards in place, with 100% of our manufacturing sites being certified to ISO 45001, the internationally recognised standard for safety management systems.

In line with our business model, each business is responsible for maintaining health and safety excellence across its operations. The Board is presented with a quarterly scorecard showing a range of leading and lagging indicators, including: percentage of people trained, near miss reporting rate and near miss action closure rate, Accident Frequency Rate, Accident Severity Rate, number of major and minor lost-time accidents.

Behavioural based safety is a key component of our approach across the business. This year multiple health and safety workshops and training sessions were delivered across our operations, with GKN Automotive sites in India, Thailand and the USA being recognised by local bodies and industry peers for their safety performance. In GKN Powder Metallurgy, health and safety focused weeks took place across the year, involving all employees, on all shifts, in all locations, which included a “Do More” risk identification and countermeasure activity.

In addition to safety, the wellbeing of our people is also vitally important. In 2023 GKN Automotive launched a new wellbeing framework to develop its employees’ awareness through monthly sessions on topics such as nutrition and exercise, financial wellbeing and mental health.

“The success of any organisation depends on having the right people, in the right roles and creating the right environment for them to succeed.”

Liam Butterworth, CEO

Talent

Attracting and retaining talent

Our people are one of our key competitive advantages and attracting and retaining the right talent is critical to the delivery of our strategy. Our workforce comprises a wide variety of roles, including those that work on our manufacturing and assembly lines and in supporting operational roles such as logistics, maintenance and supply chain; engineering and other technical roles in our commercial, procurement and programme management teams; and those that work in supporting functions such as finance, human resources and information technology. Whatever their role, everyone who works for Dowlais and its businesses has an important part to play in delivering our strategy and achieving our purpose, and it is critical that we have the right people in these roles and give them the tools they need to succeed.

Training and development

As a Group, we believe in empowering our people to reach their full potential, providing opportunities to develop, train, and expand their responsibilities.

We offer a wide range of opportunities to promote life-long learning, from eLearning courses to monthly gatherings with site learning leads. For example, this year GKN Automotive launched a new Learning Academy portal to promote self-learning and improve visibility of all available learning content, and GKN Powder Metallurgy introduced a new learning management system across its business, to help employees build their key competencies.

In addition, leadership training is an important requirement for development of our management roles. GKN Automotive's Global Leader Programme is focused on sharing tools to accelerate transformation, increasing collaboration and developing communication skills. It was completed by 24 senior managers in 2023, and a pilot programme for new Senior Leader Capsules also took place ahead of a full roll out in 2024.

Supporting the next generation of talent is also important, and as a Group we are placing an increased focus on early-years training and development. GKN Automotive currently has 414 apprentices and interns enrolled in local early careers programmes across the business and in 2024, it will look to scale up its early career roadmap. In GKN Powder Metallurgy, early careers talent is recruited through apprentice and/or graduate programmes in Germany, the US, China and India.

We think it is important that all employees receive regular feedback on their performance, regardless of their role. As a Group, our target is for all employees to have an annual performance conversation. In 2023, over 98% of eligible employees received an annual performance review, and over 2024 we will ensure our business units maintain and improve to meet the group target.

Engagement

Maintaining high levels of employee engagement is vital to business performance. Engaged employees perform better, and a positive, equitable employee experience supports improved retention, and employee wellbeing.

We engage in a number of activities to monitor employee engagement. GKN Powder Metallurgy's annual My Voice survey was carried out in November, with action plans to be defined for all sites for 2024. Actions completed in 2023, based on feedback from the previous survey, included new all-hand meetings and newsletters from local management teams. In 2023, GKN Automotive's focus was on implementing actions from its previous engagement survey. GKN Automotive's next engagement survey is scheduled for 2024 and will measure the effectiveness of these and other actions from the previous survey, in addition to listening to other ways the business can improve the employee experiences.

Across the Group, we also engage with our workforce through a range of communication methods and forums, including business unit and functional global "town-hall" meetings, local face-to-face meetings, local or multinational engagement forums, such as our European Works Councils, and "open door" meetings with senior managers, which are open to all employees to attend.

Fair working practices

As a company, we seek to ensure our employees are treated fairly and equitably. We aim to comply with all legal obligations relating to our workforce, including those relating to pay, working hours and practices, rest breaks, and family leave. Many of our employees are represented by trade unions, works councils or other employee representative bodies, and we respect collective negotiation and seek to form positive working relationships with these organisations, working in partnership with them.

Diversity, equity and inclusion

We recognise that diversity is an asset in our business and we want to provide an inclusive environment which allows our people to perform at their best. At the same time, we recognise that we operate in a sector in which there is much more to be done to foster diversity, in particular gender diversity, which is a specific focus area.

At a Group level, we have prioritised setting the right tone from the top and are proud that our Board meets the diversity targets set by the FTSE Woman Leaders Review, the Parker Review and the UK Financial Conduct Authority.

Across our operations, diversity, equity and inclusion principles are part of our core people activities and processes, including our hiring practices, training and development programmes and policies that support work-life balance and respect for individual needs. We strive to attract talent from a broad range of backgrounds and create an environment where everyone feels valued, respected and empowered.

Our commitment to encouraging diversity and ensuring all employees are treated fairly and with dignity and respect is detailed in our Diversity, Equity and Inclusion Policy, which was adopted by the Board this year. The policy sets out our core principles and ambitions, but there is more work to do if we are to achieve them.

Within our businesses, there are specific targets and initiatives to promote diversity. GKN Automotive has set a target to achieve 33% female membership of the Executive Committee by 2030 and in 2024 it plans to roll out cultural awareness training for leaders, diversity mandates across all hiring and increase local diversity, equity and inclusion activities and celebrations. The business has also developed a new global parental leave policy to ensure a more competitive employee offering. GKN Powder Metallurgy launched its first diversity, equity, inclusion and belonging vision and principles in the year and will further develop its programmes in 2024. The roll out of unconscious bias training in the United States, as part of the on-boarding process, has continued, alongside the development of KPI dashboards to monitor progress. The business has also focused on the importance of flexibility and hybrid working arrangements, where practical, and the provision of childcare in certain facilities.



GROUP DIVERSITY DATA

This page contains certain diversity-related data required to be disclosed in accordance with Dowlais' legal, regulatory and disclosure obligations.

Group employee gender diversity

	Male	Female	% Male	% Female
Employees of the Group ¹	20,583	4,052	83.6%	16.4%

Senior leadership gender diversity

Details of gender diversity within Dowlais' executive management are set out below, including data required to be disclosed in accordance with section 414C of the Companies Act 2006, in each case as at 31 December 2023.

	Male	Female	% Men	% Female
Directors of the Company	6	4	60%	40%
Executive Committee	4	1	80%	20%
Executive Committee and direct reports ²	14	7	66.7%	33.3%
Senior managers ³	126	31	80.25%	19.75%

Gender and ethnicity disclosure requirements

In accordance with Listing Rule 9.8.6R(10), the tables below set out data relating to gender identity and ethnic background within the Group's leadership positions, in each case as at 31 December 2023.

Gender identity

	Number of board members	Percentage of the board	Number of senior positions on board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	60%	3	4	80%
Women	4	40%	1	1	20%
Not specified/ prefer not to say	0	0%	0	0	0%

Ethnic background⁴

	Number of board members	Percentage of the board	Number of senior positions on board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	9	90%	4	5	100
Mixed/Multiple Ethnic Groups	0	0%	0		0
Asian/Asian British	1	10%	0	0	0
Other ethnic groups including Arab	0	0%	0	0	0
Not specified/prefer not to say	0	0%	0	0	0

Notes and definitions

1. Reflecting the requirements of section 414C of the Companies Act 2006, the total employees of the Group only includes employees of the undertakings included in the consolidation, and not its associated companies not included in the consolidation. For this reason, the number of employees referenced here is lower than the approximately 30,000 employees referred to elsewhere in this report, as this larger number includes employees of the Group's non-consolidated joint ventures.
2. "Executive Committee and direct reports" comprises the Executive Directors, other Executive Committee members (including the General Counsel and Company Secretary) and their direct reports (being those individuals for whom they have direct line management responsibility, excluding administrative and support roles).
3. "Senior managers" comprises the Executive Committee, Business Unit CEOs and all directors of the Group's subsidiary undertakings. This reflects the requirements of section 414C of the Companies Act 2006. Directors of the Group's subsidiary undertakings include employees of varying levels of seniority and are not necessarily representative of the Group's senior management.
4. "Executive Management" for these purposes comprises the Executive Committee (being the most senior executive body below the Board). This reflects the requirements of Listing Rule 9.8.6R(10). For the purposes of collecting the data required to be disclosed by Listing Rule 9.8.6R(10), Board members were asked to provide data relating to their gender and ethnicity as part of a Board skills matrix exercise. Other employees were asked to provide data relating to their gender and ethnicity on a voluntary basis, in which the individual self-reports their ethnicity and gender identity. In each case the data is aligned with the definitions set out in the Listing Rules.

Community

Beyond the positive impact of our products and operations, we seek to contribute to tackling environmental and societal issues across the communities we work in.

Our origins go back to 1759 when an ironworks was established in Dowlais village in South Wales. In recognition of this, and the fact that the Group has adopted the village's name as its own, we have committed to provide funding for the refurbishment of Dowlais Rugby Football Club's changing facilities and club house. This will result in new male and female changing rooms, physiotherapy room and new catering/dining facilities, all of which the local community will be able to use, including the local mountain rescue team.

We are also committed to developing the STEM talent of the next generation as part of our community activity and, over 2024, will develop a framework to support this activity at a Group level.

We aim to support our communities through direct financial and equipment donations, and encouraging volunteering support. Our businesses support many international, national and local charities and community organisations, and many of our sites have longstanding relationships with charitable and community organisations based locally to their operations. During 2023, charitable cash donations by our businesses totalled more than £710,000.

In 2023, GKN Automotive launched a new charitable giving framework and network of local community champions. The framework lays out roles and responsibilities, budgets, processes and the causes the business is focused on to enable site-level autonomy that enables all of our locations to contribute to charities that make a direct impact on local communities. GKN Automotive has also set a target for all its sites to have at least one charitable partnership that aligns with its purpose by 2025, and is developing a global philanthropic STEM programme, to be launched in 2024.

A key focus of GKN Automotive's community work is to empower, educate and develop pathways to increase the number of girls pursuing STEM subjects and careers. The business has developed a global philanthropic STEM programme to be launched in 2024. Focused on Mexico, Poland and India, the programme will aim to support future STEM talent while increasing its community outreach work in these countries.

GKN Powder Metallurgy sites and employees supported a wide range of charitable causes during 2023. Alongside corporate sponsorship of events and organisations local to all sites, employee activities included food bank donations, volunteer support for flood and tornado victims, team litter picks and tree planting



See pages 68 and 69 for examples of some of the many community and charitable initiatives the Group supported in 2023.

Product safety and quality

All over the world hundreds of millions of people rely on our products to keep them safe every day. A rigorous focus on product safety and quality is non-negotiable in the automotive industry and is part of our culture and embedded in all aspects of our design and manufacturing processes.

Our Product Safety Policy mandates that all our businesses follow relevant industry standards relating to product safety. Crucial to our approach is ensuring that all our manufacturing sites are covered by Quality Management Systems and we are proud that 100% of the Group's operations are certified to either ISO 9001 or IATF 16949 standards. Manufacturing sites are audited for every year against the standard and re-certified every three years. In 2023 we had no product-safety related recalls.

SUPPORTING OUR COMMUNITIES



Getting back to our roots

Our origins go back to 1759 when an ironworks was established in Dowlais village in South Wales. In recognition of this, and the fact that the Group has adopted the village's name as its own, we have committed to provide funding for the refurbishment of Dowlais Rugby Football Club's changing facilities and club house. This will result in new male and female changing rooms, physiotherapy room and new catering/dining facilities, all of which the local community will be able to use, including the local mountain rescue team.

Sponsoring female empowerment festival

In 2023, Thrive – an association for sustainable female empowerment and personal growth – held its first festival in South Tyrol, Italy, and GKN Hydrogen was a sponsor. The festival saw over 800 attendees enjoy talks and panels and engage in workshops and coaching sessions.



Snehalaya Rehabilitation Project

GKN Powder Metallurgy's operations India have been supporting the Snehalaya Rehabilitation Project for over a decade. Snehalaya provide services for families affected by poverty, HIV and AIDS, by providing a range of support including food, shelter, education and vocational training. GKN Powder Metallurgy has provided extensive support over many years, including the construction of residential units, dormitories, vocational training halls, and water tanks. The infrastructure provided by GKN Powder Metallurgy over many years has allowed Snehalaya to significantly enhance its capacity to support families in need, helping them to provide a safe and nurturing environment in which they can access these essential services.



The opening of a building constructed by the Snehalaya Rehabilitation Project with the support of GKN Powder Metallurgy in March 2023.

SUPPORTING OUR COMMUNITIES



“Love the earth” recycling initiative

At GKN Automotive’s Rayong plant in Thailand, employees participate in litter picking throughout the year. They collect plastic bottles from the local area, or save consumed ones. After a year, they recycle the accumulated plastic for community projects, often chosen through employee voting.

Since 2020, approximately 20,000 plastic bottles had been collected by employees. A group of employees from the Rayong team delivered 20,000 plastic bottles to the Temple at Wat Jak Daeng, Prapadaend, Samutprakran. At the Temple, the team were shown the process for recycling plastic bottles so that they could be used as fabric. With the amount that had been recycled, it was possible to make 1,500 sets of robes for the monks at the temple.



Together for Turkey

After the earthquake hit Turkey and Syria in February 2023, GKN Automotive collated materials such as food, toiletries, and other necessities directly through a central collection point at their site in Oleśnica, Poland. These goods were transported to the affected areas, using our freight management expertise.

GKN Automotive also donated £125,000 to the Disasters Emergency Committee appeal to help those affected.



Building a dream

GKN Powder Metallurgy India supports the Mamata Bal Sadan orphanage, which has built a “Dream Home” for 140 orphaned girls, winning the Greentech CSR Award 2023 for rural development.



Keeping the traditions alive

GKN Automotive Mexico employees volunteer and donate toys, personal hygiene items, clothing, nappies etc. to keep the 'Three Kings Day' tradition alive. They volunteer at children's homes, and old people's homes. GKN Automotive employees also bring Christmas presents to old people's homes in December.

Responsible sourcing and human rights

Maintaining high sourcing standards is critical to a range of our most material issues. We are committed to respecting human rights through our processes, behaviours, operations and conduct, including in our supply chain. We recognise all human rights set out in the United Nations Universal Declaration of Human Rights, the ten principles of the United Nations Global Compact and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

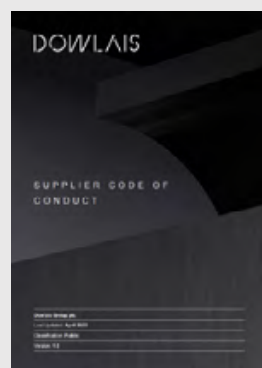
We engage with our suppliers on the sustainability of their operations and their own supply chains. We expect them to follow our own high standards of environmental, social and ethical responsibility, as detailed in our Responsible Sourcing Policy and our Conflict Minerals Policy. In 2024, we intend to carry out a Group-wide assessment of our supply chain and operations to formally identify our salient human rights risks under the UN Guiding Principles on Business and Human Rights. This work will then underpin further development of our existing programmes.

In our businesses, in 2023 GKN Automotive worked to better understand the social and environmental practices of its suppliers. Alongside its established policies and annual supplier conference, it introduced a new supplier self-assessment tool and invited almost 200 of its key suppliers to participate. By year end, 39% of strategic suppliers had shared their sustainability roadmap and targets. Also this year, GKN Powder Metallurgy began discussions to introduce more governance to ensure it targets reliable and ethical sources of materials, from iron scrap to rare earth materials.

Setting out our high standards of responsibility



Our Code:
www.dowlais.com/ourcode



Supplier Code of Conduct:
dowlais.com/suppliercodeofconduct

Ethics, compliance and integrity

At Dowlais, one of our core values is Accountability. Being accountable means being responsible for our actions, but it also means acting responsibly. Maintaining the highest standards of business ethics, meeting our legal obligations and conducting ourselves with integrity, are all core to what we do at Dowlais. We have a strong track record in this regard, and we intend to maintain it. We expect our people to do the right thing at all times, whether that is in how they perform their role, how they interact with each other in the workplace, and how they represent Dowlais as a Group. We believe in doing the right things in the right way, acting with integrity and respect in all our business dealings.

Our Code

In 2023, the Board adopted Dowlais' first employee code of conduct, Our Code, which sets out the standards of behaviour we expect of all our employees. A copy of Our Code is available at dowlais.com.

Legal Compliance

As Dowlais businesses operate globally, we are subject to numerous laws and regulations which apply in the countries in which we are based or operate. It is Dowlais policy to always comply with the laws and regulations to which we are subject, including those relating to bribery and corruption, competition, and data privacy. But complying with the law is not enough. We expect our people to go further, to always behave with the highest ethical standards and conduct themselves in a way which reflects Dowlais' values. This means being honest and transparent, conducting ourselves professionally, acting with integrity, being trustworthy and keeping our promises, and when we make mistakes, being open and not covering them up.

Speaking Up - Our approach to Whistleblowing

We also recognise that however hard we try to do the right thing, sometimes things do go wrong. We therefore encourage a culture of Speaking Up in which we ask our people to bring issues of concern to our attention, and are clear that these concerns will be listened to, investigated and dealt with properly and sensitively. Our Whistleblowing Policy sets out our policy in this area, and in order to encourage our people to Speak Up, we maintain a confidential and anonymous Employee Disclosure Hotline and Portal which can be used to report issues of concern. This is open 24 hours a day, seven days a week, and is hosted by an external, independent company. This service is promoted at all sites, and calls are monitored by our Legal and HR functions and regularly by our Executive Committee. In 2023, we received 87 disclosures through our Whistleblowing procedures, all of which were thoroughly investigated. No material, ethical or compliance violations were identified.

RISK MANAGEMENT

We understand the risks and uncertainties we face and take a proactive approach to risk management. We have adopted a framework that provides the Board and management with a comprehensive view of the Group's risk profile, enabling risks to be properly identified, assessed and treated, whether by mitigation, elimination or other management action.

Risk management framework

Continual assessment and management of risk is embedded in our businesses, which have been operating robust risk management frameworks for many years before the creation of Dowlais. Since our listing in April 2023, we have built on this solid foundation and implemented a risk management framework that reflects our strategy, values and operating model. This risk management framework, as set out in our Risk Policy, ensures accountability for the identification, assessment, monitoring and management of risks.

Risk appetite

The Board has considered its risk appetite for each of the Group's principal risks, including whether those principal risks currently reflect that risk appetite. When considering risk appetite, the Board uses the following terminology.

Averse	- A strong unwillingness to accept risk, irrespective of the reward.
Cautious	- A reluctance to accept risk, but careful acceptance of certain risk with appropriate controls.
Moderate	- A willingness to accept a reasonable level of risk.
Open	- A willingness to accept a greater level of risk, reflecting a higher potential reward.
Hungry	- A willingness to pursue high-risk or unproven options with the potential for very high rewards.

Details of the risk appetite that the Board has determined for each of the Group's principal risks are set out on pages 73 to 76. The Board's risk appetite review demonstrated that the Group is currently operating in line with its risk appetite. This review will support decision-making processes during 2024, and the Board intends to review risk appetite at least annually.

Risk management governance

Responsibility for risk management across the Group is summarised below.

Board

Overall responsibility for risk management

- Approves the Group's risk management strategy and policy.
- Determines an acceptable risk appetite for the Group.
- Reviews reports and recommendations from the Executive Committee and the Audit Committee on risk governance, processes and controls.
- Determines and assesses the Group's principal and emerging risks.

Audit Committee

Monitors the Group's risk management processes

- Monitors the Group's risk management processes and controls.
- Monitors, oversees and reviews the effectiveness of the Group's internal controls and risk management systems and processes.
- Makes recommendations to the Board on risk appetite, controls and mitigation, and the Group's principal and emerging risks.

Executive Committee

Develops the Group's risk management processes and manages Group risks

- Develops the Group's risk management processes and controls.
- Engages in risk identification, analysis, evaluation and treatment at Group level including emerging risks.
- Oversees and challenges risk mitigation plans and supports those responsible for risk management within the business units.

Business unit executive teams

Responsible for risk management in their business unit

- Engage in risk identification, analysis, evaluation and treatment for their business units.
- Develop risk management processes and controls at business unit level.

Business unit managers and controllers

Day-to-day risk management

- Engage in risk identification, analysis, evaluation and treatment within their area of responsibility.
- Comply with risk mitigation plans and controls.

Identification and assessment of emerging and principal risks

Our approach to risk identification is a combined 'top-down' and 'bottom-up' approach, in which our executive management teams identify strategic and emerging risks affecting our businesses and the Group, but also review risks which are identified, tracked and reported at a site, plant or sub-function level. These risks are consolidated into a Group Risk Register in which the Group's material risks are identified, assessed and monitored.

During the year, the Board undertook a robust assessment of the Group's principal risks. This was facilitated by a Group Risk Report, which was prepared with the assistance of external risk specialists, ensuring a level of independent oversight and challenge. It also gave the Board visibility of the Group's principal risks, risk trends and mitigation plans.

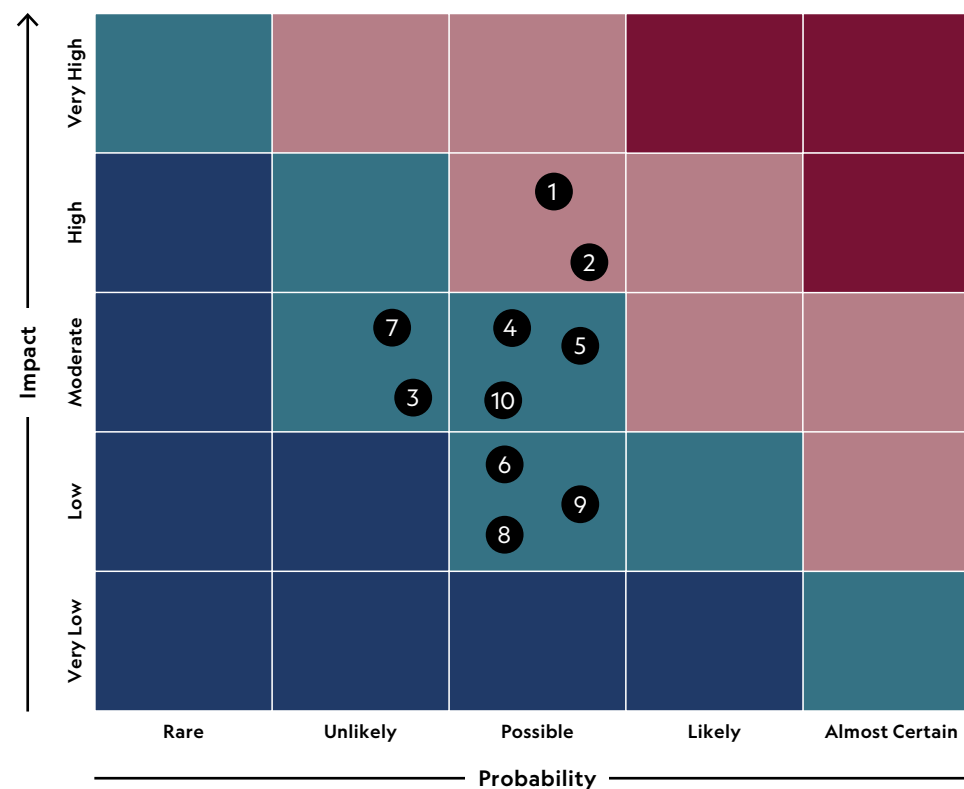
The Board has also undertaken a robust assessment of the Group's emerging risks, which are separately tracked and monitored by the Executive Committee. The Group views emerging risks as those that are unlikely to materialise in the short term or cannot be fully assessed yet, but which may become more material in the future. The Group's assessment of emerging risks includes 'horizon-scanning' of potential new risk areas, consideration of emerging risks affecting other industry participants and other industries, and potential economic, political, environmental, social, legal and technological changes. These risks typically do not require mitigation activities at this early stage, but are closely monitored in case mitigation is required in the future.

Principal risks

Following the review described above, the Board considers the following risks to be the principal risks and uncertainties faced by the Group, including those that might threaten the Group's strategy, business model, future performance, solvency, liquidity or reputation.

Number	Risk title	Risk exposure	Risk appetite
1	Information security and cyber	High	Cautious
2	Economic and political	High	Moderate
3	Supply chain	Medium	Cautious
4	Competition and automotive market	Medium	Moderate
5	Operational delivery	Medium	Cautious
6	Product quality and safety	Medium	Averse
7	Technology and industry evolution	Medium	Open
8	Sustainability	Medium	Cautious
9	Legal and ethical	Medium	Averse
10	People	Medium	Cautious

These ten principal risks have been assessed for potential impact and probability, with the impact assessment affecting the potential financial, reputational, strategic and operational impact on the Group. This assessment reflects the impact of relevant mitigation and controls. The Group's resulting risk profile is summarised below.



Risk rating	
Low	High
Medium	Severe

These principal risks do not comprise an exhaustive list of risks associated with the Group. While the Board has carried out a robust assessment of these risks, additional risks not known to the Board or assessed to be less significant may also materialise and result in an adverse effect on the Group. Risks recorded in the Company's March 2023 Prospectus and referenced in its 2023 half-year results have been incorporated into the Group's risk management framework and continue to be managed in accordance with that framework.

Risk description	Potential impact	Examples of how we mitigate this risk
Risk 1: Information and cyber security		
Like many businesses, we face the risk of cyber attacks and other information security risks. The risk is potentially enhanced by the scale and complexity of our operations and the 'just-in-time' nature of the automotive supply chain. This risk includes potential loss of confidentiality, integrity and availability of our information through malicious or accidental means, the risk of theft, fraud (including phishing) and ransomware attacks. Risk appetite: ● Cautious Strategy: Lead, Transform Values: Agility, Accountability	– Loss of confidentiality, integrity and availability of information. – Inability to protect our technology or intellectual property. – Inability to operate business as usual due to unavailability of IT or other systems. – Loss of production resulting from non-availability of manufacturing and related systems including operational technology. – Inability to meet customer and supplier contractual requirements related to information security, and breach of contract claims by customers and suppliers. – Adverse publicity and damage to our reputation.	– Dedicated information security functions and teams in all business units. – Accredited information security management systems at key sites, including the Trusted Information Security Assessment Exchange (TISAX) accreditation. – Extensive information security policies and procedures, which are regularly reviewed against best practice. – Extensive employee training and awareness programmes, to reduce the risk of phishing and other methods of attack. – Infrastructure resilience, cyber controls, and vulnerability management processes. – Regular technical penetration testing.
Risk 2: Economic and political		
We operate in numerous countries and are therefore potentially affected by global economic and political conditions, and events in those countries. Macroeconomic conditions that impact our businesses include monetary policy, inflation or deflation, the availability of capital, levels of business and consumer confidence, fluctuations in commodity prices and economic growth or contraction. Other risks include global, regional or national events such as war, political unrest or instability, or legislative or political acts of states, governments or supranational organisations such as the imposition of tariffs, trade controls or other policy changes. Risk appetite: ● Moderate Strategy: Lead, Transform, Accelerate Values: Agility	– Reduction of, or volatility in, demand for passenger vehicles, which in turn affects demand for our products. – A reduction in availability or increase in the costs of the goods and services we purchase. – A volatile trading environment and disruption in supply chains that may impact our operations, or those of customers or suppliers. – Increases in the cost of production or making certain product or geographic markets less accessible to us. – A resulting impact on our operational performance and financial condition.	– A geographically diversified business model that allows continued supply in case of localised disruption. – Regular monitoring of demand forecasts, orders and other indicators, to ensure we can respond quickly to changes in trading conditions. – Agreements that enable some element of workforce-level flexibility to adapt to short-term fluctuations in demand. – Active monitoring of the global trade environment and regulatory landscape, and reacting quickly to changes in government policy. – The strategy of localising suppliers in regions wherever possible, mitigating the impact of trade barriers. Appropriate tariff-mitigation actions where required. – Committed debt facilities, to enable the Group to withstand material economic shocks.
Risk 3: Supply chain		
We operate within complex supply chains and have a large number of suppliers, some of whom are critical to our operations. Replacing suppliers in the automotive industry is a time-consuming process. Increases in the cost of materials or production may be difficult to pass on to customers and may erode margins. We are contractually responsible for the quality and delivery of the products we supply and may not be able to pass on contractual liabilities to our suppliers. In addition, supply chain disruption could result from matters outside our control, such as geopolitical events, wars, epidemics, accidents or natural catastrophes. Risk appetite: ● Cautious Strategy: Lead, Transform Values: Agility	– Inadequate quality or unsafe products. – An inability to operate the Group's facilities or supply its products, resulting in the same potential impacts as set out under the Operational Delivery risk below. – Increased costs due to inflation or commercial pricing pressure, which it may not be possible to pass on to the Group's customers. – Becoming uncompetitive and adverse impact on our ability to win new business.	– Developing long-term relationships with key suppliers. – Identification of high-risk suppliers, based on penetration rate, criticality of supply and financial strength monitoring. – Dual sourcing and validation approvals, and mitigation plans for sole-source suppliers. – Supplier quality and capacity audits, and inspections. – Robust contracts with suppliers. – Sales, inventory and operational planning processes. – Supplier regional localisation activities.

Risk description	Potential impact	Examples of how we mitigate this risk
Risk 4: Competition and automotive market		
We operate primarily in the global automotive market, in which competition is strong and high levels of efficiency and operational excellence are required to succeed. Many of our customers are large, demanding organisations with significant purchasing power, who can develop and introduce competitors to put pressure on our pricing. Risk appetite: ● Moderate Strategy: Lead, Transform, Accelerate Values: Agility, Ambition	- Losing business to competitors. - Being forced to accept lower returns to remain competitive. - The insolvency of a single large customer could have a significant impact on revenue. - The merger of two or more customers could introduce additional pricing pressure. - Unexpected significant falls in demand for our products, or volatility in demand, without commercial or contractual recourse.	- Strong customer relationship management, building multiple-level relationships with our customers. Increased market penetration activity through customer intimacy plans and customer intelligence. - Selective customer and market growth, prioritising margin and cash generation. - IP-protected technological development to aid margin retention. - Competitor benchmarking and product tear-down/analysis to ensure we have intelligence on competing customer technology. - Flexibility across our operations to adapt to demand fluctuations.
Risk 5: Operational delivery		
Our manufacturing operations and processes are complex and our customers' delivery expectations are demanding. The failure of key equipment, systems or other disruption at a site or production line could cause significant disruption, and some operations may represent a 'single point of failure' due to our vertically-integrated manufacturing structure. In addition, we design and manufacture products that are critical to the launch of global vehicles and other programmes. Many of these products are complex and engineered specifically to meet our customers' needs, which presents the risk that we are unable to meet customer expectations and our contractual requirements. Risk appetite: ● Cautious Strategy: Lead, Transform Values: Agility, Accountability, Ambition	- Loss or damage to our plants, facilities and assets. - Inability to operate our manufacturing operations. - Contractual claims from our customers for losses resulting from the unavailability or late delivery of our products, or for delays or cancellations of programme launches. - Loss of existing customers. - Reputational damage and adverse impact on ability to win new business.	- Business continuity and disaster recovery plans in place and tested for critical locations. - Regular evaluation of the operational risks facing sites and functions. - Crisis management plans and systems. - Property damage and business interruption insurance. - Sophisticated programme and resource management systems and regular high-risk programme and gate reviews, with a focus on flawless programme launch. - Thorough design validation and production validation testing with customer sign off.
Risk 6: Product quality and safety		
Product quality and safety is at the heart of the global automotive industry. As a trusted supplier to the world's leading vehicle manufacturers and other customers, it is imperative that our products are safe to use and meet quality requirements. A defect in the design or manufacturing process, a failure of controls, or the inadequate performance of our suppliers could result in us supplying products that are unsafe or of inadequate quality. Many of our automotive products are considered safety critical and are the subject of vehicle safety and industry regulations. Risk appetite: ● Averse Strategy: Lead Values: Accountability	- Warranty and other contractual claims from our customers for losses caused by the replacement or unavailability of our products. - The cost of product recalls and other field service actions, if products need to be replaced or repaired in the field. - Material product liability claims from customers or third parties in the event of any death, injury or damage to people or property caused by our products. - Loss of existing customers. - Reputational damage and adverse impact on our ability to win new business.	- Extensive product safety and quality policies and procedures. - Dedicated quality and safety functions. - Extensive product monitoring and testing. - Rapid cascading of lessons learned within operations. - Management of significant/critical characteristics to identify and cascade them to the point of use on the shop floor. - Core process audits. - Product safety training and awareness. - Dedicated product safety governance and oversight with independent reporting lines.

Risk description	Potential impact	Examples of how we mitigate this risk
Risk 7: Technology and industry evolution		
We have market-leading technologies in the sectors in which we operate and successfully navigating the EV transition is core to our strategy. However, there remains a risk that we may be unable to maintain sufficient technological differentiation, or adapt to technological change in our key markets, particularly the major shift in the automotive markets resulting from electrification. There is a risk that parts of our product portfolio and technologies may over time become obsolete or uncompetitive and will need to be replaced. We may also face disruptive innovation by competitors, or the development of new technologies that eliminate or reduce demand for certain products.	- Increased costs of engineering, research and development, in order to keep pace with technological innovation. - Reduction in demand for our products or a failure to offer a product portfolio that meets market expectations, if we are unable to do so. - Erosion of our reputation as a technology leader in our product markets. - Damage to our ability to attract and retain talent. - Resulting adverse effect on revenue, revenue growth or profit margins.	- Close relationships with our customers to understand their development roadmap and invest in technologies that will be used on next-generation platforms. - Horizon-scanning to identify new technologies and monitoring of competing technologies, including via teardown and testing. - Significant investment in engineering and R&D, particularly in EV and propulsion source agnostic components. - Significant patent portfolio and processes for protecting our innovation. - Focus on building a culture of innovation and attracting the best engineering talent.
Risk appetite: Open Strategy: Transform, Accelerate Values: Agility, Ambition		
Risk 8: Sustainability		
Sustainability is a key focus for our investors, customers and other stakeholders. Expectations continue to rapidly evolve and become more onerous. Failure to meet our stakeholders' expectations on sustainability, environmental, social and governance-related matters may expose us to reputational or financial risk, or result in an inability to meet our customers' expectations. This includes risks associated with investor sentiment, evolving customer requirements, supply chain trends, social attitudes toward the environmental impact of products, and the Group's ability to attract and retain talent.	- Limiting the number and types of debt and equity investors who are willing or able to invest in the Group. - Inability to meet our customer expectations on sustainability performance, with potential for resulting loss of business or inability to secure new business. - Loss of key talent and other employees, who increasingly want to work for a socially responsible and sustainability-focused organisation. - Increased cost of meeting ESG expectations. - Breach of laws and regulations. - Adverse publicity and reputational damage.	- Sustainability Committee as part of our governance structure. - Executive team accountability for ESG with dedicated representation on this topic. - Reporting on ESG in a transparent way with appropriate data collection and verification. - Sustainability strategy integrated with business unit strategies, accountable at business unit, CEO and Executive Team level. - Science-based targets established and net zero roadmaps in development. - A business strategy that is integrally linked to the decarbonisation of the automotive industry.
Risk appetite: Cautious Strategy: Lead, Transform Values: Accountability, Ambition		
Risk 9: Legal and ethical		
Laws and regulations are becoming more complex and pervasive, and the levels of fines and penalties – and the appetite of government agencies to prosecute businesses for compliance failings – are increasing. Our geographic breadth, scale and complexity presents a risk that we may fail to fully comply with certain laws and regulations. Even where our conduct is lawful, any ethical misconduct (or the perception thereof) could cause harm. Finally, we have an extensive intellectual property portfolio, but it may not be sufficient to prevent competitors from replicating our products, and we may face claims by third parties, including for actual or alleged infringement of their intellectual property rights.	- Costs of defending legal actions, claims and prosecutions by regulators or third parties. - Fines and criminal penalties, and contractual penalties and liabilities. - Suspension or revocation of licences or privileges, or debarment from government or public sector contracts. - Failure to identify and protect the technology that we develop, or inability to prevent third-party use of our technology. - Adverse publicity and reputational damage.	- Actively fostering a culture of the highest ethical standards, as set out in Our Code and our Supplier Code of Conduct. - Legal teams embedded in and close to our businesses, regular monitoring and review of legal and regulatory matters, and horizon-scanning for upcoming legal risks. - Group-wide legal and compliance policies. - Due diligence procedures and screening systems for third parties such as customers, suppliers and other counterparties. - A culture of "speaking up", with an employee hotline and online portal, allowing employees to report anonymously and without fear of retaliation. - Mandatory, regular compliance training for relevant employees. - Leadership compliance and ethics assurance programmes.
Risk appetite: Averse Strategy: Lead Values: Accountability, Ambition		

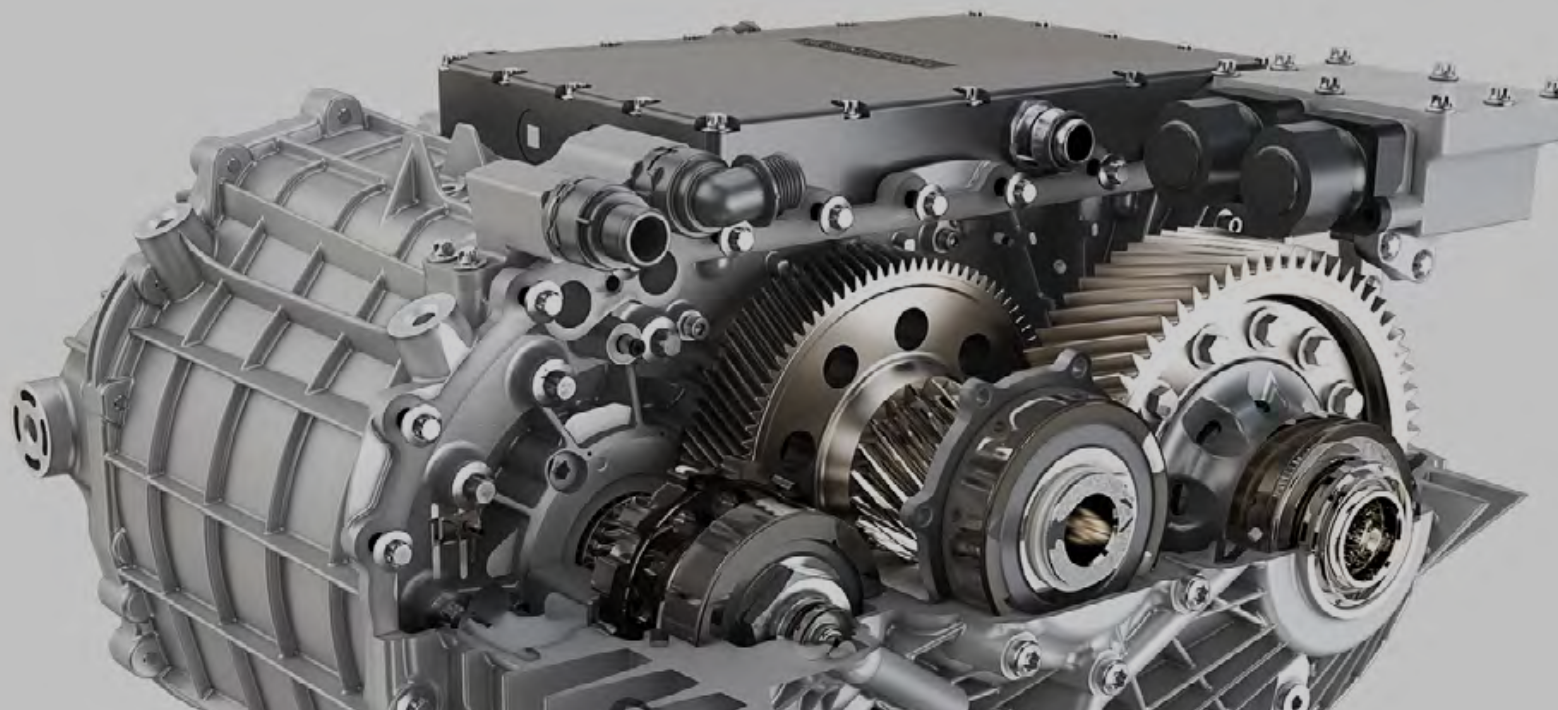
Risk description	Potential impact	Examples of how we mitigate this risk
Risk 10: People		
Our most valuable assets are our people. They are our only truly sustainable source of competitive advantage and our strategy and performance depend on attracting and retaining the right people in the right roles and creating the right environment for them to succeed. Competition for talent and skills is intense and the Group may not be successful in attracting or retaining qualified personnel, particularly in leadership or technical roles. In addition, we are an industrialised manufacturing business with a resulting risk of accident and injury to employees and contractors. Our people work in environments where maintaining the highest standards of operational health and safety is critical.	- Reduced levels of operational performance. - Increased costs of hiring and retention. - Ineffective strategic decision making and loss of competitive advantage. - Liabilities resulting from health and safety incidents. - The cost of defending legal actions, claims and prosecutions by regulators or third parties. - Fines and criminal penalties. - Adverse publicity and damage to our reputation.	- Succession planning at Executive Director and senior management level, led by the Nomination Committee in conjunction with the Board. - Regularly evaluating remuneration against market trends and ensuring appropriate remuneration packages and long-term incentives are offered. - Diversity and inclusion initiatives across all businesses to maintain a diverse talent pipeline. - Monitoring our workforce via regular review of KPIs and annual employee engagement surveys. - Robust health and safety policies, processes, procedures and standards in all businesses and manufacturing sites certified to international safety standards, including ISO 45001. - Extensive health and safety training and awareness programmes.
Risk appetite: ● Cautious Strategy: Accelerate Values: Agility, Accountability, Ambition		

How our strategy and our values reflect our principal risks

The Group's ten principal risks set out above reflect the global scale of our business, the nature of our operations, and the markets in which we operate. They are inherent in what we do. Accordingly, our strategy encompasses and responds to these risks, and is specifically designed to address and mitigate them in a number of ways. But risk management is also about behaviours, so our values are also intended to encourage and foster the kind of behaviours in our people which are needed to address the risks we face.

The strategic pillars and values that are relevant to each principal risk are set out against each individual risk above. More detail on how our strategy and values reflect certain of our principal risks is set out below.

	Our strategy		Our values
Lead	Our strategy to Lead in our chosen markets directly reflects the competition and automotive market and economic and political risks we face. Market-leading businesses are more resilient to the commercial pressures that come with operating in a highly competitive automotive industry, and can more easily respond to demand volatility and macroeconomic shocks.	Agility	Many of the risks we face as a business require us to act at pace, make quick clear decisions and respond swiftly to opportunity. This is reflected in our value of Agility. Responding to certain risks like cyber security incidents, supply chain failures, or disruption to operational delivery, requires us to have an organisation that can respond rapidly and act decisively.
Transform	It is a fundamental part of our strategy to Transform alongside the wider automotive industry transition to electric vehicles. This strategy directly reflects the greatest technology and industry evolution risk we face, which is the risk of failure to adapt as the automotive industry experiences a period of rapid technological change.	Accountability	Our value of Accountability includes acting responsibly and with integrity. Doing this reduces the risk of product quality and safety incidents, legal and ethical violations and ensures the health and safety of our people. Accountability is also about delivering on our commitments, which is a required to achieve our sustainability commitments.
Accelerate	Our strategy to Accelerate includes identifying and exploiting organic growth segments and growing via disciplined M&A. Successfully implementing this growth strategy will contribute to the mitigation of a number of risks, including those relating to competition and automotive market, economic and political, and technology and industry evolution.	Ambition	We seek to set ambitious goals and find new opportunities in new ways and new markets. These behaviours, reflected in our value of Ambition, help engage and motivate our people to mitigate talent retention risk, and reflect our ambitious sustainability goals and support a culture of driving progress to achieving them.



ENGINEERING TRANSFORMATION

eDrive systems

In the rapidly evolving world of automotive technology, eDrive systems are the core component of electric mobility. We have been developing and manufacturing eDrive systems for decades and remain a key player in this segment.

An eDrive system is the equivalent of a car's engine and transmission. It encompasses a range of components and sub-systems such as one or more electric motors, a gearbox, power electronics, torque management devices and software. These components are carefully integrated and all work together to transform electrical power into mechanical power, delivering torque to the sideshafts and then on to the wheels of the vehicle.

The future of the automotive industry is forecast to be electric and eDrive systems the key technical enabler of this transformation. The transition to EVs means that over time eDrive systems will replace many internal combustion engines in light vehicles. You can see more details about the expected growth of EVs on page 17. As such, eDrive systems reflect a rapidly growing product segment and a growth opportunity for Dowlais.

We understand all aspects of an eDrive system and can design and produce systems to reflect our customers' needs. We also understand how these systems function within the wider context of the vehicle, allowing us to work closely with our customers to optimise our systems, ensuring they seamlessly integrate with the vehicle architecture and wider systems and software. We continue to innovate in eDrive technology at our dedicated technology centres in Germany, USA, Japan, India, China and the UK, to drive improvements in performance and efficiency.

VIABILITY STATEMENT

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company, considering the potential impact of the principal risks facing the Group.

The Directors' assessment of the Group's viability has been made over a three-year period, which is considered to be appropriate for this assessment as it is consistent with the Group's detailed planning cycle and current financing arrangements.

The Directors' assessment has been made by reference to the Group's financial position as at 31 December 2023 and its prospects, the Group's strategy, the Directors' risk appetite and the Group's principal risks and their management, all of which are described in this Strategic Report.

The Directors' assessment of the Group's viability is underpinned by a paper prepared by management, which is supported by comprehensive and detailed analysis and modelling. The model underpinning this statement is stress-tested, based on severe but plausible scenarios developed by considering how the Group's principal risks (set out on pages 73 to 76), together with the climate-related risks (set out on pages 52 to 56), could impact the Group's viability.

The key assumptions driving the output from the model relate to forecast revenue, drop-through operating margin and cash generation over the viability period. The base model includes three years of forecast data from the Group's business units. The three downside scenarios that have been modelled are:

1. An economic shock/downturn. Prolonged global downturn in economic conditions, higher unemployment and inflation resulting in reduced customer confidence and lower spending. Includes the risk of adverse changes in the financial markets which could prevent the Group from accessing capital either when required or at an appropriate rate.
2. Losing a key market/product/customer. This scenario envisages Dowlais being unable to adapt to technological change or experiencing a significant reduction in demand for global light vehicles.
3. Significant contract delivery issues. This scenario envisages the risk that the Group's products fail resulting in warranty claims and reputational impact, as well as modelling the impact of a moderately severe cyber attack.

Each scenario has been carefully considered both individually and in combination by the Directors, together with the impact of expected achievable mitigating actions on the working capital model. Although considered unlikely, if all three scenarios were to occur simultaneously:

- a. liquidity would be significantly reduced over the viability period when compared to our base case scenario;
- b. the Group would still be able to continue operating (and no covenants etc would be breached); and
- c. the Group would consider implementing relevant mitigating actions including deferral of capital expenditure, delay of cash restructuring spend, working capital actions, strategic restructuring including labour management, reduction of discretionary spending and short-term delay or cancellation of dividend payments.

These scenarios sensitise the main assumptions noted above, considering the medium-term impact of continued implications on supply chains resulting from the current global macroeconomic uncertainty and ongoing inflationary pressures on input costs.

Finally, the model has been used to perform a reverse stress test to determine the level of revenue/volume reduction which would use up all available cash, and the Directors are satisfied, whilst also considering the available mitigating actions described above, that the conditions required to prevent the Group from continuing to operate are sufficiently remote so as to not affect the overall conclusions reached.

On the basis of the above assessment, the Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities, as they fall due, up to 31 December 2026.

NON FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

The information below summarises how we comply with non-financial performance and sustainability reporting requirements and is produced to comply with sections 414CA and 414CB of the Companies Act 2006. It sets out where relevant information relating to non-financial and sustainability matters can be found in our Strategic Report.

Reporting requirements	Most relevant Dowlais policies	For more information on the impact and outcomes
Environmental matters	Our Code Environmental Policy Biodiversity Policy Water Policy Energy Policy	Sustainability (pages 35 and 36) Stakeholders and s. 172 statement (pages 39 to 42) in particular the section on society and communities (page 40) Planet and Climate Action (pages 44 to 47) in particular, the sections on cutting our emissions (page 44) and product sustainability (page 46) Task Force on Climate-related Financial Disclosures (TCFD) report (pages 48 to 58) and SECR (pages 59 to 61)
The Company's employees	Our Code Health and Safety Policy Diversity, Equity and Inclusion Policy Whistleblowing Policy	Sustainability (pages 35 and 36) People and society (pages 63 to 66) in particular the sections on health, safety and wellbeing (page 63), training and development (page 64), and diversity, equity and inclusion (pages 65 and 66) Stakeholders and s. 172 statement (pages 39 to 42) in particular the section on our people (page 39)
Social matters	Our Code Sustainability Policy Responsible Sourcing Policy Product Safety Policy	Sustainability (pages 35 and 36) People and society (63 to 66) in particular the sections on community and product safety (page 67) Stakeholders and s. 172 statement (pages 39 to 42) in particular the section on society and communities (page 40)
Human rights	Our Code Human Rights Policy Anti-Slavery and Human Trafficking Policy	Sustainability (pages 35 and 36) People and society (pages 63 to 66) in particular the section on responsible sourcing and human rights (page 70) Stakeholders and s. 172 statement (pages 39 to 42) in particular in particular the section on society and communities (page 40)
Anti-corruption and anti-bribery matters	Our Code Anti-Bribery and Corruption Policy Anti-Money Laundering Policy Anti Facilitation of Tax Evasion Policy Conflict of Interest Policy	Sustainability (pages 35 and 36) People and society (pages 63 to 66) in particular the section on ethics, compliance and integrity (page 70)
Business model		Our business model (page 5)
Principal risks		Risk management (pages 71 to 76) in particular our principal risks of product quality and safety (page 74), sustainability, legal and ethical (page 75) and people (page 76) Key transition risks (pages 55 and 56)
Non-financial KPIs		Non-financial KPIs (page 19), being our Accident Frequency Rate, Scope 1 and 2 emissions, and Automotive order book relating to products for use in EVs Task Force on Climate-related Financial Disclosures (TCFD) report (pages 48 to 58) and SECR (pages 59 to 61)
Climate related disclosures		Task Force on Climate-related Financial Disclosures (TCFD) report (pages 48 to 58) SECR (pages 59 to 61)

This Strategic report has been prepared in accordance with the requirements of the Companies Act 2006, and has been approved and signed on behalf of the Board.

Liam Butterworth

20 March 2024

GOVERNANCE REPORT



Simon Mackenzie Smith
Chair

“We recognise the importance of having a robust and effective governance framework which underpins our decision making and ensures we can deliver our strategy.”

Dear shareholder,

On behalf of the Board, I am pleased to present the Group's Governance Report for the financial year ended 31 December 2023. The Board recognises the importance of having an effective governance framework and is committed to maintaining the highest standards of corporate governance, which will ensure we can deliver our strategy.

Dowlais demerged from Melrose and listed on the London Stock Exchange on 20 April 2023. Although the Board was appointed prior to the demerger and carried out various activities in connection with the demerger process, this Governance Report principally relates to the period from 20 April 2023 to the end of the 2023 financial year. During this period we have implemented strong governance foundations, which as a Board we will continue to review and build upon.

Creating our Board and governance

As part of the preparations for the demerger, a significant amount of work was undertaken to establish the Group's governance, policy and controls framework, to ensure we could meet our obligations as an independent listed company.

This included identifying and appointing an experienced Board with a relevant and diverse set of skills. We also ensured continuity of management of our Business Units with the appointment of Liam Butterworth as Chief Executive Officer (CEO) and Roberto Fioroni as Chief Financial Officer (CFO), both of whom have significant experience in the Automotive industry and previously ran our GKN Automotive business. The appointment of Simon Peckham, until his resignation from the Board on 31 December 2023, and Geoffrey Martin as additional Executive Directors provided further continuity and expertise, in light of their roles as Melrose CEO and CFO respectively. Further details about our Board can be found on pages 82 to 83.

Prior to the demerger and listing, the Directors benefited from an onboarding programme which included understanding our businesses and their principal risks, their responsibilities as Board Directors of a listed company, and reviewing and approving the demerger prospectus.

Since the demerger, the Board has established its governance framework, Board Committees, and processes and ways of working. During this period, the Board has been focused on the Group's strategy, purpose and values, business performance, stakeholder engagement and our sustainability strategy. Alongside these areas, the Board has approved a number of external reporting and governance matters. You can read more about our governance framework and the areas the Board has focused on during the period on pages 84 to 90. During the period the Company was in full compliance with the provisions of the Code and applied the principles of the Code. Pages 80 to 126 of this report form our Corporate Governance Statement.

Relationship with shareholders and other stakeholders

The Board recognises the importance of engaging with our shareholders and other stakeholders and our section 172 statement, which can be found on pages 39 to 42, sets out our key stakeholder groups, how we have engaged with them throughout the period and how the Board has considered their interests in its decision making.

Both prior to and following the demerger, we conducted a comprehensive investor relations programme, led by our CEO and CFO. We have taken part in a large number of meetings with our major shareholders and potential investors, each of which has given us the opportunity to obtain direct feedback on our business, strategy and performance. The Board has been kept informed of shareholders' views at each Board meeting. Both Celia Baxter, our Senior Independent Director, and I are available to meet with shareholders as appropriate and we have met with shareholders when requested. Ahead of asking our shareholders to vote on our Directors' Remuneration Policy at our first Annual General Meeting, Celia Baxter, who also serves as Remuneration Committee Chair, wrote to our major shareholders to seek their feedback. Further details of our proposed Remuneration Policy and that engagement process can be found on pages 99 to 112.

Annual General Meeting

Our first Annual General Meeting will be held on 21 May 2024 and will provide the Board an opportunity to further engage with shareholders and answer any questions about the business.

Simon Mackenzie Smith
Chair

20 March 2024



Compliance with the UK Corporate Governance Code

The Board is committed to complying with the UK Corporate Governance Code 2018 (the Code) which became applicable to the Company with effect from its admission to trading on 20 April 2023. The Board confirms that Dowlais complied with all of the provisions set out in the Code for the period under review. Details of how we have applied the principles set out in the Code and how governance operates at Dowlais are set out in the table below. A copy of the Code can be found at [frc.org.uk](https://www.frc.org.uk).

Code section	Location of information and how the application of the Code Principles shaped governance actions and outcomes in the year
Leadership and Purpose	- Board biographies (pages 82 to 83) - Board operation and key areas of discussion since listing (pages 86 to 88) - The formation of the Company purpose, values and strategy (pages 4 and 80 to 87) - The promotion of the long-term sustainable success of the Company as described in the s. 172 statement (page 42) - Assessment and monitoring of culture (pages 89 to 90) - Employee engagement (page 89)
Divisions of Responsibilities	- Our Governance Framework (pages 84 to 85) - The balance of executive and non-executive directors (pages 82 to 83 and 86) - Independence, sufficient time and the process for approving external appointments (page 87)
Composition, Succession and Evaluation	- Governance Report (pages 80 to 90) - Promoting and embedding diversity and inclusion (page 98) - Monitoring the balance of Board members' skills, experience and knowledge (page 98) - Board evaluation process and outcomes (page 88) - Nomination Committee report (pages 97 to 98)
Audit, Risk and Internal Control	- Audit Committee report (pages 91 to 96) - The evaluation of risk management and internal controls including process and outcomes (pages 95 to 96) - The linking of Principal Risks with strategy and its assessment by the Board (page 71 to 76)
Remuneration	- Remuneration Report (pages 99 to 121) - Assessment of the alignment of purpose, values and strategy with remuneration (pages 99 to 101) - Executive, senior management and wider workforce remuneration (pages 107 and 118 to 119)

OUR BOARD OF DIRECTORS

AN EXPERIENCED BOARD WITH A RELEVANT AND DIVERSE SET OF SKILLS



Simon Mackenzie Smith
Chair

Simon has a wealth of experience in corporate finance and M&A, with an investment banking career spanning over 35 years. He has advised on some of the UK's largest mergers and acquisitions including Royal Dutch Shell plc's \$52 billion takeover of BG Group Plc in 2016. Before retiring in 2021, he was Chair of Corporate and Investment Banking UK and Ireland at Bank of America Merrill Lynch. Simon joined Merrill Lynch in 1996 from Morgan Grenfell. He qualified as a chartered accountant with KPMG in 1985.

Appointed: 9 February 2023

Other directorships and appointments: A non-executive director of Interpath Advisory. Chair of the Trustees of the children's mental health charity Place2Be.

Committee membership



Liam Butterworth
Chief Executive Officer

Liam is an experienced leader in the automotive industry. He started his career in 1986 at Lucas Industries as an apprentice toolmaker before moving into sales and marketing. He joined FCI Automotive in 2000 in France, where he lived for 18 years. From 2008, Liam was CEO of FCI Automotive and led the sale of the business to Delphi Automotive plc in 2012, which he then joined as SVP and the President of its Powertrain Division. He subsequently became group CEO of Delphi Technologies plc in December 2017 when he led its demerger from Aptiv plc (formerly Delphi Automotive) and admission to the New York Stock Exchange. In 2018, he became CEO of GKN Automotive before its demerger from Melrose Industries plc and became CEO of Dowlais Group plc on its listing on the LSE in April 2023.

Appointed: 10 February 2023

Other directorships and appointments: A non-executive director of United Utilities Group PLC; a member of the Audit, Corporate Responsibility and Nomination Committees. A non-executive director of United Utilities Water Limited.

Committee membership: None



Roberto Fioroni
Chief Financial Officer

Roberto has extensive experience in the automotive industry. Roberto joined GKN Automotive in 2019 and was instrumental in the development and execution of GKN Automotive's margin expansion plan. Roberto joined from WABCO, a NYSE-listed leading player in braking and steering systems for commercial vehicles, where he was Chief Financial Officer. Prior to that, Roberto was Vice President, Finance for Goodyear's Europe, Middle East and Africa business unit and also held several senior positions during a 13 year career with General Electric (GE) across its GE Security and GE Consumer & Industrial divisions, as well as with GE Corporate.

Appointed: 10 February 2023

Other directorships and appointments: None

Committee membership: None



Celia Baxter
Senior Independent Director

Celia brings a global perspective and deep understanding of industrial companies and organisations that have grown by acquisition. She spent her executive career in Human Resources, beginning her career with Ford Motor Company before moving to KPMG. She has also held executive HR positions with Tate & Lyle plc, Enterprise Oil Plc and Hays Plc. Most recently in her executive career she was Director of Group HR at Bunzl PLC where she was responsible for HR and sustainability across the group. Previously Celia was an independent director for NV Bekaert SA, a leader in steel wire transformation and coatings, and RHI Magnesita NV, a global leader in refractories, and was also Senior Independent Director and Chair of the Remuneration Committee at Senior Plc.

Appointed: 20 February 2023

Other directorships and appointments: Non-executive director and Chair of the Remuneration Committee of DS Smith Plc. Non-executive director of discoverIE Group plc.

Committee membership



Philip Harrison
Independent Non-Executive Director

Philip has extensive international financial leadership experience across a range of sectors and at all points in the business cycle. He is Chief Financial Officer at Balfour Beatty plc, a role he has performed since 2015. Philip began his career with Texas Instruments before moving to Rank Xerox and then to Compaq, where he remained following the merger with Hewlett Packard. He has also held board and executive committee positions as Group Finance Director at VT Group Plc and Hogg Robinson Group Plc. Philip is a Fellow of the Chartered Institute of Management Accountants.

Appointed: 10 February 2023

Other directorships and appointments: Chief Financial Officer of Balfour Beatty plc.

Committee membership



Key

- Committee Chair
- Remuneration Committee
- Audit Committee
- Nomination Committee



Shali Vasudeva

Independent Non-Executive Director

Shali has extensive experience of technology, operational resilience and cyber and business transformation, spanning the UK, Europe and Asia. Since 2019, Shali has been the Chief Operating Officer at AXA Insurance UK & Ireland, leading on IT, data, cyber security and operational resilience, digital strategy, property and procurement. Shali spent the first phase of her career in leadership roles in the outsourcing sector with Cap Gemini and Capita Business Services. She subsequently held executive operational roles at Prudential Assurance UK and senior roles at both Resolution Life Group Holdings and Hiscox Plc.

Appointed: 20 February 2023

Other directorships and appointments: Chief Operating Officer at Axa Insurance UK & Ireland.

Committee membership

(A) (N)



Alexandra Innes¹

Independent Non-Executive Director

Alexandra brings capital markets and economic insight and sustainability expertise to the development of strategy. Her early career was focused on investment banking and investment management in the technology sector. She was Director of Global Markets at Bank of America and later Managing Director and Head of Equity and Multi-Strategy Prime Origination, EMEA at Barclays Plc. She is a Fellow of Chapter Zero, a Chartered Banker Green and Sustainable Finance Professional, a Chartered Member of the CISI, holds an MA Hons Cantab (Economics) and the CFA Institute Certificate in ESG Investing.

Appointed: 20 February 2023

Other directorships and appointments: Non-Executive Committee Member at the Bank of England. Non-Executive Adviser and board member at Knight Frank LLP, Non-Executive Director at Waverton Investment Management Group Ltd, STS Global Income and Growth Trust plc, Schroder Real Estate Investment Trust Limited, Facilities by ADF Plc and the UCI Cycling World Championships 2023 Ltd.

Committee membership

(R) (N)



Fiona MacAulay

Independent Non-Executive Director

Fiona is an experienced board director within the resources and industrials sectors, with particular experience in ESG topics. She has held senior roles across both large and small cap companies, having begun her career as a geologist with Mobil and Amerada Hess before joining British Gas in international geological operations. Latterly Fiona was Chief Operating Officer of Rockhopper Exploration Plc and Chief Executive Officer of Echo Energy Plc before transitioning to a Non-Executive portfolio career.

Appointed: 20 February 2023

Other directorships and appointments: Senior Independent Director and Remuneration Committee Chair of Ferrexpo Plc. Non-executive Director of Chemring Group PLC and Costain Group PLC, where she is Chair of the Remuneration Committee.

Committee membership

(R) (N)



Geoffrey Martin²

Executive Director

Geoffrey was Group Finance Director at Melrose Industries PLC from 2005 until he stepped down from the Board on 7 March 2024. He has extensive public company experience and expertise in corporate finance, raising equity finance and financial strategy. A chartered accountant, Geoffrey qualified with Coopers & Lybrand, where he worked within the corporate finance and audit departments. In 1996, Geoffrey joined Royal Doulton plc, serving as Group Finance Director from October 2000 until June 2005.

Appointed: 13 January 2023

Other directorships and appointments: None

Committee membership: None



Simon Peckham

Executive Director

Simon was a Director of Dowlais Group plc until 31 December 2023 when he stepped down from the Board. Simon was previously Chief Executive officer at Melrose Industries PLC from May 2003 until he stepped down on 7 March 2024.

1. Alexandra Innes has informed the Board that she will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting.
2. Geoffrey Martin has informed the Board that he will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting.

Key

- Committee Chair
- Remuneration Committee
- Audit Committee
- Nomination Committee

OUR GOVERNANCE FRAMEWORK

The Board

Dowlais' Board is responsible for promoting the long-term sustainable success of the Group and generating value for shareholders. The Board oversees the performance of Dowlais and sets our purpose, values and strategy, ensuring that our culture is aligned to each of them.

Audit Committee

The Committee ensures the integrity of the financial reporting and audit, oversees the Group's internal control and risk management systems and monitors the effectiveness of internal and external audit.

→ See page 91

Remuneration Committee

The Committee determines remuneration policies and monitors their effectiveness, establishes policies and practices that are designed to support the Company's strategy and promote the long-term sustainable success of the business, and sets the remuneration of the Company's Chair, Executive Directors and senior management.

→ See page 99

Nomination Committee

The Committee leads the process for Board appointments, ensures succession plans are in place for the Board and senior management, and oversees the development of a diverse pipeline for succession.

→ See page 97

Disclosure Committee

The Committee monitors the existence of inside information and its disclosure to the market.

CEO

Responsible for the day-to-day management of the Group

Group Executive Committee

Supports the CEO in the day-to-day management of the Group including overseeing the implementation of strategic and operational plans.

Business Unit CEOs and executive teams

Responsible for management of their Business Unit and achieving their business-specific targets.

Sustainability Committee

Supports in the development and day-to-day delivery of the Group's sustainability strategy.

→ See page 36 for a summary of the Committee's work

Division of responsibilities

The Chair is responsible for:

- Leading the Board and providing effective and ethical leadership.
- Promoting a culture of openness and debate by facilitating the contribution of Non-Executive Directors, in particular, and ensuring constructive relations between Executive and Non Executive Directors.
- Ensuring effective decision making and governance by ensuring effective information flows and sufficient time for discussion at Board meetings.
- Ensuring effective communication with key stakeholders, including shareholders.
- Overseeing each Director's induction and ongoing training.
- Leading the Board and Committee evaluation process.

The CEO is responsible for:

- Day-to-day management of the Group's business in line with the strategic and commercial objectives agreed by the Board.
- In conjunction with the wider executive team, implementing the decisions of the Board and its Committees and ensuring the Board is aware of Executive Directors' views on business issues.
- In conjunction with the Chair, ensuring effective communication with key stakeholders.

The Senior Independent Director is responsible for:

- Providing a sounding board for the Chair and serving as an intermediary for the other Directors and shareholders when necessary.
- Being available to shareholders if they have concerns which contact through the normal channels of Chair, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate.
- Leading meetings of the Non-Executive Directors without the Chair present at least annually to appraise the Chair's performance, taking into account the view of Executive Directors, and on such other occasions as are deemed appropriate.
- Being responsible for an orderly succession process for the Chair.
- Assisting in the maintenance of the stability of the Board and Company, particularly during periods of stress.
- Being available to shareholders if they have concerns which contact through the normal channels has failed to resolve, or for which such contact is inappropriate.

The Non-Executive Directors are responsible for:

- Constructively challenging and helping to develop proposals on strategy.
- Scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance.
- Supporting the Executive Directors in instilling appropriate culture, values and behaviours in the boardroom and beyond.

The Company Secretary advises the Board on matters of procedure and governance, including:

- Providing all required information to the Board on a timely basis.
- Enabling information flows between senior management, the Board and its Committees.
- Providing support to the Chair and Non-Executive Directors.
- Being responsible for compliance with relevant statutory and regulatory requirements.



HOW OUR BOARD WORKS

Board composition

As at 20 March 2024 the Board comprised the Chair, who was independent upon appointment, five Independent Non-Executive Directors and three Executive Directors. The Board's biographies can be found on pages 82 to 83.

Board leadership and purpose

The Board is collectively responsible for promoting the long-term sustainable success of the Group and for generating value for shareholders. The Board is responsible for setting the strategy, holding management accountable for its delivery, and overseeing the performance of the Group, with a view to ensuring success over the longer term. It is also responsible for setting the tone from the top and ensuring that the Group's culture aligns with its strategy, purpose and values.

Whilst day-to-day responsibility for the management of the Group has been delegated to the Executive Directors of the Company, there are a number of key matters that are reserved for the Board as a whole. These include:

- Establishing the Group's purpose, values and strategy.
- Determining the basis on which the Group generates or preserves value over the longer term.
- Approving the Group's annual operating and capital expenditure budget.
- Approving changes relating to the Group's capital structure.
- Approving any significant restructuring or reorganisation including material acquisitions, disposals or joint ventures.
- Approving material changes to the Group's policies relating to governance, compliance and controls.
- Approving the Group's sustainability targets and key sustainability policies.
- Ensuring effective communications with shareholders.

Full details of the matters reserved for the Board can be found at [dowlais.com](https://www.dowlais.com).

Board attendance and activities

Prior to the demerger from Melrose and admission to the LSE, the Board held a number of ad hoc meetings in conjunction with the demerger and listing process which included implementing the Group's governance framework and adopting all necessary policies and procedures in readiness for commencing life as an independent listed company.

In the eight months following the demerger, the Board held four scheduled meetings. Details of individual attendance for each of the Board meetings held following the demerger is set out below. Any Director who is unable to attend a Board meeting has the opportunity to review the papers and provide contributions outside of the meeting.

The Board receives regular reports from the CEO, CFO, Chief People, Sustainability and Communications Officer and the General Counsel and Company Secretary at its meetings. In addition, the Chair frequently meets with the Non-Executive Directors privately without executive management present, including either immediately prior to or after each Board meeting.

Director	Board	Audit	Nomination	Remuneration
Simon Mackenzie Smith	4/4		2/2	2/2
Liam Butterworth	4/4			
Roberto Fioroni	4/4			
Celia Baxter	4/4	3/3	2/2	2/2
Philip Harrison	4/4	3/3	2/2	
Alexandra Innes	4/4		2/2	2/2
Fiona MacAulay	4/4		2/2	2/2
Shali Vasudeva	4/4	3/3	2/2	
Simon Peckham ¹	3/4			
Geoffrey Martin ¹	3/4			

1. Simon Peckham and Geoffrey Martin were unable to attend the Board meeting on 11 September due to unforeseen circumstances.

2. Simon Peckham stepped down from the Board on 31 December 2023.

Key decisions and areas of discussion since demerger

Group strategy	Reviewed and discussed the individual strategies of the Group's business units and the overall Group strategy.
	Approved the Group's purpose, values and strategy (our Strategic Framework).
	Received regular automotive market updates.
	Reviewed and discussed the operational performance of the Group by business unit.
Financials and performance	Discussed and approved the Group's sustainability strategy.
	Received updates on the financial performance of the business units and the Group as a whole.
	Approved the Group's half-year results and the Company's initial accounts.
	Reviewed the approach to the dividend and approved the Company's dividend policy and first interim dividend.
People, culture and values	Approved the annual budget for 2024.
	Reviewed and approved Our Code.
	Reviewed Health and Safety dashboards from across the business.
	Received People-related updates relating to the Group's global workforce.
Sustainability	Received a report from the Group's Workforce Advisory Panel.
	Approved the Group's first Slavery and Human Trafficking Statement.
	Reviewed the Group's ESG roadmap and plan for the year.
	Received an update on the Group's Sustainability Strategy.
Governance	Received reports from each Committee Chair after scheduled Committee meetings.
	Received updates on key regulatory and corporate governance developments.
	Discussed the outcome of the 2023 Board and Committee effectiveness review and agreed the actions for 2024.
Shareholder and stakeholder engagement	Discussed and approved the Group's stakeholder map.
	Received an update on the Group's communications plan.
	Received updates on and discussed investor relations matters.
	Received an update on the development of Group's charitable giving strategy.

Board induction and training

Prior to the demerger and listing, the Directors received comprehensive briefings on their responsibilities as directors of a listed company and related regulatory requirements. In addition, the Non-Executive Directors attended a Board induction session to ensure they had a full understanding of the Group's businesses and their specific products, markets and strategies. The induction session included a detailed overview from Liam Butterworth on the Group and the wider markets in which it operates, a finance overview which was led by Roberto Fioroni, presentations on the Group's three business units: Automotive, Powder Metallurgy and Hydrogen each of which was provided by the CEOs and management teams of those business units.

The standing agendas for the Board and its Committees include briefings on a range of topics including regulatory and corporate governance requirements, which ensure the Board is kept up to date with developments in these areas. The Directors also have access to the Company Secretariat for advice and assistance and independent, professional advice should this be necessary to discharge their responsibilities.

A comprehensive and formal induction programme, which will be facilitated by the Company Secretary in consultation with the Chair, will be provided to any new Directors that are appointed.

Independence, time commitment and external directorships

All Directors have service agreements or letters of appointment and details of their terms are set out in the Remuneration Report. The service agreements and letters of appointment are available for inspection at the Company's Registered Office during normal business hours.

The Board has reviewed the independence of its Non-Executive Directors and considers each of the Non-Executive Directors, including the Chair, to be independent. Approval of any Director's appointment as a director of another company is a matter reserved for the Board.

The Chair and the Non-Executive Directors are expected to devote sufficient time to carrying out their duties which is expected to be approximately 20 days per year, or such additional time as may be required. The Board considers that all the Directors have sufficient time to perform their duties.

Board effectiveness and performance

The Board agreed that, given the timing of the demerger and listing, the 2023 Board and Committee effectiveness review should be conducted by way of a questionnaire-based approach, facilitated by the Company Secretary. The objective of the evaluation was to highlight what has been working well and what needed to be focused on in 2024. The questionnaires for the Board and each Committee were circulated to the Board and respective Committee members for completion and the findings were shared with the Chair before being discussed by the Board.

The evaluation concluded that the Board had the necessary mix of skills, knowledge and expertise and was sufficiently diverse.

The actions that were agreed for the Board and each Committee as part of this effectiveness review are summarised below and will be monitored during 2024.

Board	- Focus on business strategy, including understanding the strategic opportunities within the Group's portfolio, financial performance and creating shareholder value. - Continued development of Director induction and ensuring Board members have opportunities to increase their knowledge of the business and its product range. - Continued development of awareness of the Group's corporate culture, to be facilitated through site visits and further engagement with employees.
Audit	- Continued focus on the key areas within the Committee's remit. - The Committee to meet the wider Dowlais Finance teams. - Focus on information and cyber security risk in 2024.
Nomination	- Continued focus on succession planning both at Board and executive team level and for other senior positions within the Group. - Continue to build strong working relationships with the Dowlais executive team.
Remuneration	- Focus on the key areas within the Committee's remit, particularly the Executive Directors' Remuneration Policy and bonus and LTIP targets. - Continue to receive ongoing market updates from the Committee's Remuneration advisers to keep abreast of market trends.

Group Chair and Directors' performance

In accordance with our obligations under the Code, the Senior Independent Director led an annual review process for the Chair of the Board, as part of which she sought feedback from the other Non-Executive Directors without the Chair present. She also sought the views of the Executive Directors. This feedback was collated and shared with the Chair.

Similarly, the Chair carried out an annual review of the performance of the other individual Directors. As part of this review, one-to-one discussions were held with each Director which covered, amongst other things, individual performance and effectiveness, their time commitment to Dowlais and their ongoing development.

Election of Directors

Newly appointed Directors are required to submit themselves for election by shareholders at the AGM following their appointment. Dowlais' first AGM will take place on 21 May 2024.

Now that the process to establish Dowlais as a stand-alone plc has completed, Geoffrey Martin, Executive Director, has informed the Board that he will not stand for election as a Director at the 2024 AGM and will therefore step down from the Board with effect from the conclusion of the meeting. In addition, Alexandra Innes, Non-Executive Director, has also informed the Board that she will not stand for election as a Director at the 2024 AGM and will therefore also step down from the Board with effect from the conclusion of the meeting. All other Directors have confirmed they intended to stand for election at the Company's 2024 AGM. The Board has commenced a process to review its composition, which is being led by the Nomination Committee.

THE BOARD'S ROLE IN OUR PURPOSE, OUR CULTURE AND OUR PEOPLE

Assessment and monitoring of culture

The Board recognises its role in overseeing the Group's purpose: Engineering transformation for a sustainable world, and our organisational culture. Only by having the right culture in our organisation can we ensure the successful delivery of our purpose and our strategy. Culture is about how people act and behave, and we want our culture to reflect both our purpose and our values of Agility, Accountability and Ambition. This means the kind of culture and behaviours that we expect from our people includes:

- Moving at pace and taking decisions clearly and quickly.
- Delivering on their commitments.
- Acting responsibly and with integrity.
- Looking for new opportunities.
- Respecting and protecting each other.
- Behaving ethically and lawfully.
- Caring for our communities and our world.

We believe that if our people exhibit these behaviours, it will foster a culture which reflects our purpose and our values. At its June meeting, the Board approved Our Code, which is our employee code of conduct. It explains in more detail the standards and behaviours that are expected of everyone who works for Dowlais and its businesses. Our Code is supported by a range of policies which cover areas such as health and safety, diversity and inclusion and whistleblowing. Our Code reflects our values and the culture we seek to foster as a Group, and to help us monitor the culture of the Group, the Board receives an update on people related topics from our Chief People, Sustainability and Communications Officer at each scheduled Board meeting. This includes the results of engagement surveys and other employee engagement activities, talent management, and health and safety within our business units. The Board also uses other methods to monitor the culture of our organisation and ensure that it reflects our purpose and our values. They include:

- Engaging directly and indirectly with the workforce, as described in more detail within the 'Workforce engagement' section and on pages 39 and 64.
- Reviewing whistleblowing reports and the outcome of internal investigations where appropriate.
- Monitoring relevant KPIs such as health and safety and quality performance data.

→ Further information about our people and culture can be found on pages 63 to 70.

Workforce engagement

Our people are at the heart of Dowlais, so it is vital that the Board can engage effectively with them, understand their views and reflect them in its decision making.

The Board has chosen to establish a Workforce Advisory Panel (WAP) as one mechanism by which it monitors employee engagement. The WAP is chaired by the Chief People, Sustainability and Communications Officer. Other participants include the Group General Counsel, the Chief HR Officers of each Business Unit, the Group HR Manager and other HR representatives by invitation.

The WAP meets twice a year to review all workforce engagement mechanisms adopted by each business unit, relations between each business unit and relevant employee representative bodies and to ensure the views of the workforce are taken into account in executive decision making within each business unit.

The WAP is responsible for ensuring the Board understands the views of the workforce as a whole and for assisting the Board in ensuring that the workforce's interests are duly considered in its decision making. This is done through the Chair of the WAP formally reporting to the Board on its activities at least once a year, and ensuring that these topics are well understood by the Board at all times.

The Board received a report from the WAP at its November meeting which covered:

- A review of the business unit workforce engagement mechanisms and their outcomes.
- An update on relations between the business units and all relevant employee-representative bodies.
- An update on how workforce views are taken into account in executive decision making at business unit level.

Although the WAP is designed to ensure that workforce views are communicated to the Board in a structured and clear manner, the Board also engages with the workforce in a number of other more informal ways. This includes direct interaction with employees when visiting the Group's sites, and where appropriate engaging with employee representatives. This form of direct interaction helps ensure that the Board can receive 'unfiltered' views direct from employees, in addition to the broader, more structured information provided via the WAP.

→ See pages 39 to 42 for examples of how our people have been reflected in Board decision making

Visiting our sites

Visiting our manufacturing and engineering facilities is an important way in which the Board can assess and monitor our purpose and culture, engage with our employees and better understand our products, customers and suppliers.

Visiting our Driveline plants in Poland

In October 2023, our Chair, Simon Mackenzie Smith and Senior Independent Director, Celia Baxter, visited our GKN Automotive manufacturing plants in Oleśnica, Poland. The two sites, located 2km apart, represent an important facility within our European manufacturing footprint, supplying sideshafts and propshafts to our customers' European vehicle assembly plants.



The visit allowed the Directors extensive opportunities to engage with our workforce and understand their views. It included meetings with local management teams, and time spent reviewing the manufacturing and engineering operations, during which they engaged with our operational teams who work on our production lines and in important functions such as Health and Safety, Logistics, Quality and Engineering. This included reviewing processes such as cold forging, machining, assembly and painting of sideshaft and propshaft components, as well as reviewing the sites' extensive engineering and testing facilities. The two Directors also received a workforce update, including updates on employee engagement, social responsibility and people strategy. They also held a meeting with more junior employees, including high-potential talent, allowing them to gain valuable insight into what attracts junior employees to work for our businesses and how they see the future development of their careers. Finally, they met with local trade union representatives, to understand their views and communicate our strategy.



Visiting our ePowertrain and Sinter Metals sites in Italy

In February 2024, the Dowlais Board visited two of our sites in Italy. Our Automotive manufacturing plant in Bruneck manufactures eDrive systems and ePowertrain components and our state-of-the-art Powder Metallurgy plant in Sand in Taufers produces sintered metal components. The Board then held its February Board meeting at our Automotive plant.

The visit allowed the Board to better understand our ePowertrain and Powder Metallurgy manufacturing and engineering processes, and see first hand some of the energy efficiency initiatives that have been successfully implemented at these sites. Just as importantly, it allowed the Board to engage with employees from our two largest businesses, helping them understand the views of our people and monitor culture.



AUDIT COMMITTEE REPORT



Philip Harrison

Chair of the Audit Committee

“The Committee has fulfilled its role in monitoring the Group’s processes relating to financial reporting, risk management and internal controls.”

Dear shareholder,

I am pleased to present the Committee’s report for the period ended 31 December 2023.

This report describes how the Committee has fulfilled its responsibilities since its formation following the demerger and listing of the Group in April 2023.

The Committee’s key objectives include assisting the Board in ensuring the integrity of the Group’s financial reporting and the effectiveness of the Group’s risk management and internal control systems. The Committee also oversees the effectiveness of the internal and external audit functions.

The Committee has held three meetings since the Company listed on the London Stock Exchange on 20 April 2023. Further details regarding meeting attendance can be found on page 86. The Committee also met in March 2024 to consider the Group’s full-year financial results and this Annual Report and Accounts.

During this period the Committee focused on monitoring the integrity of the Group’s financial reporting, risk management reporting, including the Group’s principal and emerging risks and the internal controls environment. Further details of the Committee’s activities are set out in this report.

Philip Harrison

Chair of the Audit Committee

20 March 2024

Composition of committee

The Committee is comprised of three independent Non-Executive Directors: Philip Harrison as Chair, Celia Baxter and Shali Vasudeva. The biographies of the Committee members are set out on pages 82 to 83. Philip Harrison has recent and relevant financial experience and the Board has determined that the Committee as a whole has competence in relation to the sectors in which the Group operates.

Key responsibilities of the Committee

The Committee's key responsibilities and objectives are set out in its terms of reference and include:

- Reviewing and monitoring the integrity of the financial statements of the Company and any formal announcements relating to the financial performance of the Group. This includes providing advice to the Board as to whether the Annual Report and Accounts are fair, balanced and understandable and providing the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Reviewing, challenging and reporting to the Board on the going concern assumption and the assessment forming the basis of the longer-term viability statement.
- Reviewing and, where necessary, challenging the consistency of accounting policies, the methods used to account for significant or unusual transactions, and compliance with accounting standards.
- Developing, implementing and monitoring the Group's policy on external audit.
- Monitoring and evaluating the independence and effectiveness of the external audit function and approving the external audit plan and fee.
- Taking into account relevant UK laws, regulations, the Ethical Standards and other professional requirements and the relationship with the auditor as a whole.
- Developing and overseeing the selection process for the appointment of the external auditor and in respect of an external audit tender, making a recommendation to the Board on the appointment of the external auditor following on from such tender process.
- Reviewing and where necessary challenging the provision of non-audit services by the external auditor.
- Monitoring and reviewing the effectiveness of the internal control and risk management systems.
- Reviewing the Company's procedures for detecting fraud, and its systems and controls for the prevention of bribery.
- Monitoring and evaluating the independence and effectiveness of the internal audit function and approving the internal audit plan and fee.

The Committee's terms of reference can be viewed at [dowlais.com](https://www.dowlais.com).

How we work

The Committee ordinarily plans to meet four times a year and meetings are scheduled at appropriate times in the financial reporting cycle. This enables the Committee to review the Annual Report and Financial Statements, the Interim Financial Statements and the audit plan ahead of the year-end audit and to maintain a view of the internal financial controls and processes throughout the year. Since the Company listed in April 2023, the Committee has held three meetings. Individual member attendance at these meetings can be found on page 86.

The Chair of the Board, Chief Executive Officer, Chief Financial Officer, Group Financial Controller and General Counsel and Company Secretary attend Committee meetings on a regular basis and the Chair of the Board attended all scheduled Committee meetings in 2023. Representatives from BM Howarth Ltd, the Group's internal auditor, and Deloitte LLP (Deloitte), the Group's external auditor, attend all meetings by standing invitation.

The Committee holds a closed session with the representatives from the internal auditor and external auditor without executive management present at each meeting.

Committee evaluation

During the year, the Committee undertook an internal effectiveness review. Further details of the review can be found on page 88.

Main activities

Since listing in April 2023, the Committee has focused on the following areas:

Financial Reporting	- Reviewed and recommended to the Board for approval the half-year and full-year Financial Statements and the Annual Report for the year ended 31 December 2023. - Reviewed the Company's initial accounts for the period from 13 January 2023 to 10 August 2023 and recommended them to the Board for approval. - Reviewed and approved a proposed change in the Group's accounting policy with respect to alternative performance measures related to certain fair value items recognised on historical acquisitions.
External Audit	- Received reports from the external auditor relating to the half-year and full-year Financial Statements. - Reviewed and approved the Auditor's letter of engagement. - Reviewed management's letter of representation for the half-year and full-year Financial Statements. - Reviewed and approved the auditor's half-year and full-year plan - Approved the Non-Audit Services Policy.
Internal Audit	- Received regular reports from the Internal Auditor. - Approved the Internal Audit Charter. - Discussed the scope of internal audit and reviewed and approved the proposed plan for 2024.
Risk Management and Internal Controls	- Reviewed the Group's risk management process. - Undertook a robust assessment of the Group's principal and emerging risks. - Approved plans to expand the scope of the Group's non-financial assurance processes.
Compliance	- Received and reviewed regular reports on the Group's whistleblowing arrangements and anti-bribery and corruption compliance programme. - Received and reviewed an annual fraud report. - Considered proposals for improvements to the Group's non-financial assurance processes.

Priorities for 2024

- Consider the timing for conducting a full competitive tender for the provision of external audit services.
- Support the onboarding of Deloitte's new lead audit partner.
- Focus on information and cyber security risk.
- Consider the outcomes of the process commenced in 2023 to expand the scope of the Group's assurance processes relating to certain existing non-financial controls to better reflect the Group's structure.
- Focus on maturing the Group's risk management and internal control processes in line with recently announced changes to the UK Corporate Governance Code.

Significant issues considered in relation to the Financial Statements for the year ended 31 December 2023

Asset impairment indicators, including goodwill

The Group tests goodwill annually for impairment and as required if there are indications that goodwill might be impaired. In preparing the impairment assessments, management makes certain assumptions over the growth rates, operating margins, discount rates and long-term growth rates to be applied. The Group's impairment testing utilised cash flow projections included within one-year budgets and three- to five-year strategic plans.

The Committee reviewed the output of the detailed impairment assessment, challenging management over the assumptions made and conclusions reached. Management concluded that there was significant headroom for the Automotive group of cash generating units (GCGU) but the Powder Metallurgy GCGU was impaired by £449 million. The Committee agreed with these conclusions and has reviewed the sensitivity disclosures, included within Note 12, and considers them appropriate.

Alternative Performance Measures

The Board considers the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods. Whilst the Group has a defined policy over the treatment of adjusting items, there is still some judgement to be applied as to the classification of these items, specifically in regards to demerger and restructuring costs. The Committee reviewed management's paper outlining the nature of such items, challenging the application of policy and consistency of treatment, ensuring that there is sufficient disclosure to explain the nature of these items.

Retirement benefit obligations

The Group has a number of pension plans that are significant in size. As at 31 December 2023, the retirement benefit obligation was a net deficit of £459 million (2022: £461 million). The valuation of each plan is sensitive to the discount rate, inflation rate and mortality assumptions made by management. The Committee has reviewed the assumptions made and the sensitivity disclosures included within Note 23 and considers them appropriate.

Financial reporting

The Committee has reviewed and recommended the approval of the Group's half-year and full-year Financial Statements, taking into consideration the areas of significant accounting judgements, going concern and viability.

At the Board's request, at its meeting in March 2024, the Committee considered whether the Annual Report, when taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee reviewed the effectiveness of the processes adopted by management in preparing the first Annual Report of the Company, which included:

- Ensuring that all contributors involved in preparing the Annual Report understood the requirements for creating a report that is "fair, balanced, and understandable".
- Regular engagement with senior management to seek feedback on proposed content and changes.
- Consultation with external parties to develop the Company's first Annual Report, including corporate reporting specialists, remuneration advisers and the external auditor.
- Verification of non-financial information, key performance indicators and statements contained within the Annual Report.
- Use of cold readers, including an external independent proof reader.
- Senior management review to ensure overall balance, consistency and a fair reflection of the performance of the Group.

The Committee reviewed the form, content and consistency of the narrative in the Annual Report and Financial Statements and the associated processes and controls ahead of recommending approval of the Annual Report and Financial Statements to the Board.

A longer-term viability review was undertaken by management, covering the three-year period to 31 December 2026, including its going concern assessment. The Committee reviewed and considered management's assessment, challenging the key assumptions used and the downside scenarios applied in relation to the Group's key risks. Based on its review, the Committee considers it appropriate to prepare the Financial Statements on the going concern basis and approved the Viability Statement. The Viability Statement and the going concern disclosure can be found on pages 78 and 143.

External Audit

During the period, the Committee oversaw the work undertaken by the Group's external auditor Deloitte. The Committee approved the external audit plan for the full-year Financial Statements, terms of engagement and the proposed audit fees.

The Committee conducted a review of the effectiveness of Deloitte which covered its work during the 2023 interim review and the subsidiary audit process. The review took the form of a questionnaire which was circulated by the Company Secretary to members of the Committee, members of senior management, and the finance teams in our business units. The review process was designed to assess the performance, effectiveness, independence and resources of the auditor. The review concluded that the auditor was effective, objective and had maintained independence.

Alongside the results of the effectiveness review, the Committee received a confirmation of independence from the auditor for the year ending 31 December 2023 at its March 2024 meeting.

In accordance with the FRC's Ethical Standard the lead audit partner should rotate every five years. Including his tenure as lead partner at Melrose Industries PLC, the current lead partner, Edward Hanson has completed his fifth year and as such Deloitte has proposed a new partner, John Charlton, to succeed him for the 2024 financial year, subject to their reappointment as the Group auditor.

In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of Deloitte as Group auditor will be put to shareholders at the 2024 AGM. There are no contractual obligations in place which would restrict the Group's choice of auditor.

The Committee is conscious that, as a public interest entity (PIE), Dowlais Group plc is subject to the rules of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014. Although Dowlais only became a PIE upon its creation this year, Deloitte has audited the Group's Business Units since 2016, first in its capacity as auditor of GKN plc and subsequently in its capacity as auditor of Melrose Industries PLC. The Committee is therefore considering at what point it would be appropriate to conduct a full competitive tender for the provision of external audit services and will provide an update on this in 2024.

Non-Audit services

The Committee has adopted a non-audit services policy which governs the provision of non-audit services and is designed to safeguard the independence and objectivity of the external auditor. The policy complies with the FRC's 2019 Revised Ethical Standard and details the circumstances in which the auditors may be permitted to undertake non-audit services for the Group and which services are prohibited.

The Audit Committee has pre-approved the use of the auditor for non-audit services where they are included in the policy's list of permitted non-audit services and:

- They are approved by the CFO and do not exceed £25,000; or
- They are approved by the Chair of the Audit Committee or their designate and do not exceed £50,000.

All requests for permitted non-audit services are assessed with regards to whether the provision could impair the external auditor's independence or objectivity and the safeguards in place to mitigate such threats; whether the skills and experience of the external auditor makes it the most suitable supplier of the services; and the nature of the non-audit services and fees (both individual and aggregate). The total fees for non-audit services provided by the external auditor must not exceed 70% of the average of the statutory audit fee for the Company, of its controlled undertakings and of the consolidated Financial Statements paid to the auditor in the last three consecutive financial years.

During the period ended 31 December 2023, the external auditors undertook non-audit work relating to a review of the Group's interim report and assurance services relating to certain regulatory compliance matters across several different components. Details of the fees of £0.5 million paid to the external auditors are set out in Note 7 to the Financial Statements.

Internal Audit

The Group's internal audit function, which is outsourced to BM Howarth, supported where needed by EY, provides independent risk-based and objective assurance, advice and insight on the Group's governance, risk management and control processes. The Committee oversees the work of internal audit including approving the internal audit plan and scope of work. The Committee approved the Internal Audit Charter at its June meeting and has reviewed and agreed the plan for 2024.

During the year BM Howarth conducted 26 audits across the Group's sites and evaluated the reliability and integrity of financial information as reported to the Dowlais central finance function; accounting procedures and internal controls affecting financial statements; and compliance with accounting policies and procedures as set out in the Group's Accounting Policy and Procedures. The key findings of each internal audit were discussed and agreed with management from the business unit and representatives from the Dowlais central finance function.

BM Howarth provides regular reports to the Committee on the activities that it has undertaken which has enabled the Committee to review the effectiveness of the Internal Audit function on an ongoing basis during the period.

At its November meeting, the Committee agreed to commence a process to expand the scope of its assurance processes relating to certain existing non-financial controls, to better reflect the Group's structure. Work is ongoing in that regard and will continue in 2024.

Internal controls

The Committee is responsible for reviewing and monitoring the Group's internal control and risk management systems. Features of the Group's internal control environment include:

- A comprehensive system of financial reporting, business planning and forecasting.
- A defined delegation of authority structure, with clearly defined matters reserved for the Board, Executive Committee members, Group central functions and other defined levels of authority.
- Formal documentation of Group policies and procedures, including those relating to Accounting, Audit, Compliance, Ethics, Governance, Legal, Risk, Secretariat, Tax and Treasury.
- The close oversight of the Executive Committee in day-to-day operations, including regular meetings with business unit management teams and senior managers to review operational activities.
- Regular reporting on the effectiveness of the Group's internal controls to the Committee and the Board.
- Internal assurance processes, including rigorous financial assurance processes in each business unit and an annual legal and compliance assurance process.
- Regular Board review of Group strategy, including forecasts of the Group's future performance.
- Extensive employee training programmes, targeted at key risk areas.
- Review by the Committee of internal audit reports and reports from the external auditor.

The Group's internal controls were reviewed by the Committee throughout the year and subject to a formal review by the Committee in March 2024. This included a review of:

- The key areas of the Group's control environment, including governance, financial and reporting, legal and compliance, and operational-related controls.
- Identified control failures during the year, underlying causes and lessons learned, although no significant failings or weaknesses were identified.
- Planned improvements, which included an expansion of assurance processes related to the Group's non-financial controls in areas such as legal and compliance, health and safety and business continuity.

The review also involved discussion by the Committee with executive management. As part of the review, the Committee concluded that there were no material weaknesses in the Group's internal controls. The findings of the review were then shared with the Board.

Risk management

The Committee is responsible for monitoring the Group's risk management processes and controls, and making recommendations to the Board regarding risk appetite, risk controls and risk mitigation. This includes reviewing the Group's risk management framework, its principal and emerging risks, key controls and their oversight at least once per year.

The Group's risk management systems were reviewed by the Committee throughout the year and subject to a formal review by the Committee in June 2023, September 2023, November 2023 and March 2024. As part of its review, the Audit Committee considered the detective and remedial controls which relate to those risks and whether these are considered to be operating effectively.

As part of the review, the Committee concluded that the Group's risk management systems were appropriate. The findings of the review were then shared with the Board.

An overview of the Group's risk management processes and the Group's principal risks are described in more detail on pages 71 to 76.

Whistleblowing

The Committee oversees the Group's whistleblowing arrangements. The Company's Whistleblowing Policy encourages employees and others to 'Speak Up' and raise any issues of concern they may have, including any potential illegal or unethical practices. A confidential whistleblowing hotline, which is externally managed, is available and issues can be raised anonymously. Any potential concerns that are raised, either via the hotline or by other means, are followed up and investigated as appropriate. The Committee receives a whistleblowing report at each meeting which includes details of ongoing investigations and the outcomes of closed investigations. In 2023, 87 whistleblowing calls or disclosures were made across the Group, all of which were investigated and resolved. No material compliance or control failures were identified as a result of such disclosures.

Anti-bribery and corruption and fraud

The Group has a zero-tolerance approach to bribery and corruption and the Committee has oversight of the Group's anti-bribery and corruption systems and controls. The Group's anti-bribery and corruption compliance framework includes extensive measures to combat the risk of bribery and corruption, including risk assessments, mandatory training programmes, supplier, agent, intermediary and counterparty due diligence and approval processes, donations and sponsorship procedures and gifts and hospitality procedures. The Committee receives a report at each meeting which details any current bribery and corruption investigations or incidents and any relevant outcomes. No incidents of bribery and corruption involving the Group or its employees were identified in the year.

The Committee is also responsible for reviewing the Group's procedures for detecting and preventing fraud. The Committee received an annual fraud prevention report at its November meeting which provided the Committee with an update on the Group's fraud prevention procedures, incidents investigated in the year and planned improvements.

NOMINATION COMMITTEE REPORT



Simon Mackenzie Smith
Chair of the Nomination Committee

“Our focus has been on ensuring we develop a strong and diverse talent pipeline so we have the skills and capabilities we need, both now and in the future.”

Dear shareholder,

I am pleased to present the Committee's report for the year ended 31 December 2023. This report describes how the Committee has fulfilled its responsibilities since its formation following the demerger and listing of the Group in April 2023.

The Committee's key responsibilities include leading the process for appointments to the Board and ensuring succession plans are in place for the Board and senior management team, including overseeing the development of a diverse succession pipeline.

The Committee held two meetings since our listing, and further details regarding meeting attendance can be found on page 86. During this period the Committee has focused on Board balance, composition and skills, and succession planning. The Committee also agreed the Board and Committee evaluation process for the period ended 31 December 2023. Details of the Committee's activities are set out in this report.

Simon Mackenzie Smith
Chair of the Nomination Committee

20 March 2024

Composition of the Committee

The Committee is comprised solely of independent Non-Executive Directors: Simon Mackenzie Smith as Chair; Celia Baxter, Phil Harrison, Fiona MacAulay, Alexandra Innes and Shali Vasudeva. The biographies of the Committee members are set out on pages 82 to 83.

Key responsibilities of the Committee

The Committee's key responsibilities and objectives are set out in its terms of reference and include:

- Monitoring the membership of the Board (including structure, size, composition, skills, knowledge, experience and diversity) and recommending any adjustments it thinks necessary to the Board.
- Leading the process for appointments to the Board.
- Ensuring plans are in place for orderly succession to the Board and senior management positions.
- Overseeing a diverse pipeline for succession for the Board and senior management team.
- Approving the Company's Diversity, Equity and Inclusion policy.
- Overseeing the Board and Committee evaluation process.

The Committee's terms of reference can be viewed at [dowlais.com](https://www.dowlais.com).

How we work

The Committee meets at least twice per year, with additional meetings to take place as necessary. The Chief Executive Officer, General Counsel and Company Secretary and Chief People, Sustainability and Communications Officer attend Committee meetings where necessary and appropriate. Since listing in April 2023, the Committee has held two meetings. Individual attendance at these meetings can be found on page 86.

Main activities

Since listing in April 2023, the Committee has focused on the following areas:

Board composition, balance and skills	Discussed and approved a Board skills matrix which identifies the skills necessary to support Dowlais' strategy.
	Reviewed the completed skills matrix as part of a discussion on Board succession planning.
	Received an update on diversity and inclusion.
	Reviewed senior management gender and ethnicity data and discussed potential diversity targets.
	Commenced a process to identify and appoint one or more additional Non Executive directors.
Board and Committee evaluation process	Agreed the proposal for the annual Board and Committee evaluation and provided feedback on the evaluation questionnaires.

Board composition and succession planning

Since Dowlais' demerger and listing in April 2023, the Committee has considered the composition and skills of the Board. At its June meeting, the Committee agreed a Board skills matrix which details areas of expertise that the Committee considers will support Dowlais' strategic goals. The matrix also includes information relating to diversity, ethnicity and tenure.

The Committee discussed Board succession planning at its November meeting, focusing on succession planning for the CEO and CFO. The Committee also discussed the potential to appoint additional Non-Executive Directors, taking into consideration the fact that the Non-Executive Directors are all newly appointed. Although the Board were all recently appointed, we recognise that it is important that we ensure we have well-considered succession plans in place, and in 2024 the Committee will continue to focus on succession planning, including developing a diverse pipeline, both at Board level and for senior management.

Now that the process to establish Dowlais as a stand-alone plc has completed, Geoffrey Martin, Executive Director, has informed the Board that he will not stand for election as a Director at the 2024 AGM and will therefore step down from the Board with effect from the conclusion of the meeting. In addition, Alexandra Innes, Non-Executive Director,

has also informed the Board that she will not stand for election as a Director at the 2024 AGM and will therefore also step down from the Board with effect from the conclusion of the meeting. The Board would like to thank both Geoffrey and Alexandra for their valuable contribution to Dowlais and its businesses, both prior to and following its listing in April 2023. All other Directors have confirmed they intended to stand for election at the Company's 2024 AGM. The Board has commenced a process to review its composition, which is being led by the Committee.

Board diversity, equity and inclusion

Skills, experience and expertise are key to determining any appointment to the Board, irrespective of any personal characteristic, trait or orientation. However, Dowlais recognises the value of diversity to its long-term success and achieving its strategic objectives. Both the Board and the Committee therefore place great emphasis on ensuring that the Board's membership and the pipeline for succession planning is diverse.

The Board has adopted a Board diversity policy which applies to the Board and its Committees and outlines the Group's commitment to making appointments on the basis of merit whilst taking into account various factors including the relevant balance of skills, knowledge and experience needed to ensure a rounded Board. The Nomination Committee leads the Board appointment process and, as set out in the policy, takes into consideration characteristics such as race, ethnicity, sexual orientation, disability, age, nationality, socio-economic background and gender in order to encourage a diverse range of candidates. The policy can be viewed at dowlais.com.

In accordance with Listing Rule 9.8.6, we confirm that as at 31 December 2023, our Board composition was 40% women. We have a female Senior Independent Director who is also Chair of our Remuneration Committee and one of our Board Directors is from a minority ethnic background. As at 31 December 2023, 33.3% of Dowlais' senior management team and direct reports were women. We are supportive of the FTSE Women Leaders Review on gender diversity and the Parker Review on ethnic diversity, and we have already met the Parker Review objective of having one Board member from a minority ethnic background by 2024. The Group's diversity data can be found on page 66.

Board and Committee evaluation

At its June meeting, the Committee discussed the proposal for the 2023 Board and Committee evaluation which was conducted by way of a questionnaire facilitated by the Company Secretary. Committee members provided feedback on the content of the evaluation questionnaires and reviewed the agreed timetable for the review. The Committee further considered and agreed the proposed annual evaluation process for the Chair of the Board and the individual Directors.



See pages 88 for further details of the Board and Committee evaluation process

REMUNERATION COMMITTEE REPORT



Celia Baxter

Chair of the Remuneration Committee

“Our Remuneration Policy and practices are aligned to our strategy and seek to drive outperformance.”

Introduction

On behalf of the Board, I am delighted to present the first Directors' Remuneration Report for Dowlais Group plc, following the demerger and Dowlais' successful admission to the London Stock Exchange on 20 April 2023.

The key features of the Directors' Remuneration Policy (Policy) were disclosed in the prospectus published on 3 March 2023. Shareholders voted overwhelmingly (99.7% in favour of votes cast) to accept the demerger on the terms set out in the prospectus and no negative feedback was received regarding executive remuneration.

The full Policy, as set out in this report, will be submitted to shareholders for approval at our 2024 AGM.

Dowlais' remuneration policies and processes are compliant with all applicable regulatory requirements and consistent with the UK Corporate Governance Code.

Alignment of incentives to strategy

With the intent to create a direct and tangible link between incentive measures and strategic business priorities, the Committee identified the following key measures for use in the 2023 incentives:

- Adjusted operating profit, entity cash flow and strategic targets for the annual bonus plan, reflecting the significance of profitable cash generation to delivering our 2023 business plan.
- Adjusted earnings per share (EPS) annual growth and total shareholder return (TSR) ranking for the performance share awards, reflecting the importance of sustainable growth to long-term value creation and alignment with shareholder interests.

The Committee regards these measures as key to the successful execution of Dowlais' strategy and considers that they reflect the priorities of the Company following demerger. Further information about the measures and targets set for the 2023 incentives is provided on pages 114 to 117.

Remuneration decisions related to the demerger

On demerger, the Committee implemented remuneration arrangements for Executive Directors in line with the key features of the Policy, as set out in the prospectus. This included targets for the 2023 annual bonus plan and performance share awards that were set prior to demerger.

The Committee set the remuneration levels, benefits and contractual terms for the Executive Directors to reflect the scope of roles in the newly listed company, the

international scale of the business and the current talent market. As these were internal appointments, the Committee also had to consider the remuneration packages previously set by Melrose. Details of remuneration payable to Executive Directors are set out on pages 113 to 117.

Executive Directors were appointed as Directors of Dowlais on 10 February 2023, however, their Dowlais employment and remuneration terms were effective from 20 April 2023.

2023 remuneration decisions

The key discussions of the Committee and decisions taken since 20 April 2023 were:

- Ensuring there is appropriate balance between the business need for meaningful incentivisation for management and the wider context in which the business operates, taking into account the differing expectations of stakeholders.
- Tendering for and selecting an independent adviser to the Committee.
- Approving awards of performance shares to the Executive Directors and other senior executives.
- Approving targets for the 2023 annual bonus and performance share awards.
- Considering the right approach to linking ESG measures to executive compensation.
- Considering and approving shareholder engagement timeline and materials.
- Considering feedback received from shareholders when making decisions on remuneration and finalising the proposed Remuneration Policy for 2024 to 2027.
- Reviewing the salaries of the Executive Directors, taking into account salary increases implemented across the wider workforce.
- Approving performance measures, targets and weighting for the 2024 annual bonus and performance share awards.
- Approving the development of a unified 'omnibus' share plan (OSP) as the delivery mechanism for the Company's share-based awards in 2024, including: performance shares, deferred bonus shares and restricted shares (for recruitment and retention purposes below the Executive Committee only).
- Considering whether the formulaic outcome of the 2023 annual bonus was aligned with business performance and stakeholder experience over the relevant period.

Business achievements in 2023 and approach to pay

You can read about the achievements of our business during 2023 in more detail in the Strategic Report starting on page 25. Highlights for 2023 include:

- An increase in adjusted revenue, up 6.3% on prior year on a constant currency basis.
- An increase in adjusted operating profit, up 10% on prior year on a constant currency basis.
- Adjusted operating margin expansion.

- Cash generation and net debt ahead of expectations.
- Record order intake in Automotive with over £6 billion of forecast lifetime revenue wins.
- Continued adaption of the product portfolio to the EV transition, with commercial progress in magnets, powder for batteries and other EV-specific products.

In line with the financial performance outcomes described in the Strategic Report, adjusted operating profit and entity cash flow were achieved at 93% and 183% of the maximum bonus targets respectively, details of which are set out on pages 114 to 115. Combined with performance against the strategic objectives, this led to a formulaic outcome of 91% of maximum annual bonus opportunity for the Executive Directors.

The performance share award granted to Executive Directors is not scheduled to vest until 2026, so there were no long-term incentive outcomes in 2023. Full details of the 2023 remuneration paid to Directors and the basis for its determination are set out on pages 113 to 117.

Stakeholder experience in 2023

When making remuneration decisions the Committee considered the experience of a wide range of the Group's key stakeholders during the 2023 financial year.

- Good health and safety performance across the Group, with an Accident Frequency Rate of less than 0.1, better than our target.
- Good quality performance, with single-digit parts per million (PPM) defect rates.
- Successfully navigating the UAW strikes in the US and supporting our people through that disruption.
- Progress on our ESG strategy, with submission of SBTi targets for both Automotive and Powder Metallurgy.
- In respect of 2023, an interim dividend was announced with our H1 results and paid on 20 October 2023, and a final dividend has been recommended, subject to the approval of shareholders at the forthcoming 2024 AGM.

The Committee reviewed the evidence of performance and considered the context of the wider experience of our key stakeholders; it concluded the annual bonus outcome for 2023 appropriately reflected the Company's performance and was commensurate with the broader stakeholder experience in the period. It was therefore not felt necessary to apply any discretion to amend the outcome. The Committee also concluded that the remuneration framework had operated as intended, both in terms of appropriately incentivising corporate performance and in respect of quantum.

Our Remuneration Policy for 2024 to 2027

As the Policy was only implemented following the demerger in April 2023, there has been insufficient time for the Committee to fully assess its operation. Therefore, we do not propose to change the structure of remuneration in the Policy that will be submitted for shareholder approval at the May 2024 AGM. We will continue to take into consideration the broader environment and context in making decisions in respect of the Executive Directors' pay throughout the lifetime of this Policy.

To provide greater alignment with investor guidelines and market typical practice, we propose to replace the existing performance share plan (PSP) with a unified 'omnibus' share plan (OSP) as the sole delivery mechanism for the Company's share-based awards, including the 2024 long-term share incentives to Executive Directors. Consistent with good practice, long-term incentive awards are ordinarily granted shortly after full-year results are announced (in this year, on 21 March 2024), but in 2024 awards will be granted under the OSP immediately following the May AGM, subject to shareholder approval of the plan.

To ensure participants are in the same position they would have been had the 2024 grant not been delayed by the need to obtain shareholder approval, the Committee intends to grant by reference to the share price at the end of March 2024 (that is when the awards would ordinarily have been granted). For the avoidance of doubt the performance period will be three years from 1 January 2024 to 31 December 2026.

Policy application in 2024

The Committee carefully considered whether any increases should be awarded to Executive Directors' salaries in 2024. Factors considered in making the decision included investors' expectations and external environment, Company performance, planned salary increases for the wider employee population, personal performance of the executives, competitive market positioning of the current salaries and total remuneration packages, and the prevailing talent market.

The Committee noted that in 2023 the Company delivered strong performance against its financial and strategic objectives. On this basis, it resolved that 2024 salaries for Executive Directors should be increased by 3.5%, an increase that took into account the average increase of 4% that had been budgeted for the wider workforce in the UK.

The structure, performance measures and weightings of the 2024 annual bonus plan will remain largely unchanged from 2023. 2024 annual bonus targets are considered commercially sensitive and will be disclosed in the 2024 Annual Report. In line with the Policy, Executive Directors who do not meet the minimum shareholding requirement will be required to defer 30% of their annual bonus award into shares of the Company for two years and which will be subject to malus and clawback provisions.

The structure, performance measures and weightings of the 2024 performance share awards will remain unchanged from 2023. The Committee reviewed and set EPS growth targets that accurately reflect the current business environment whilst continuing to be sufficiently stretching.

Before approving the 2024 performance share awards, the Committee noted the share price volatility experienced by our shareholders since the demerger, which is not uncommon following a listing. The Committee also noted the strong financial performance of Dowlais and the Executive Directors. Recent shareholder feedback has also questioned whether long-term incentive awards are sufficiently competitive taking into account business complexity and the global remit of the Executive Directors' roles. After much discussion, the Committee concluded that the 2024 long-term incentive awards would not be scaled back and would be granted at the same level as in 2023. However, the Committee noted that it has discretion within policy to scale back vesting to avoid windfall gains.

Engagement with our workforce

We operate a range of engagement mechanisms across the business, overseen by a Workforce Advisory Panel to ensure effectiveness. The primary methods include engagement surveys, skip-level meetings and employee town halls (both local and global). Further details are provided on page 119.

Whilst we have not directly consulted on executive remuneration in the limited time since the demerger, the wider workforce can ask questions and provide feedback on this topic through our engagement mechanisms referred to above.

Engagement with our shareholders

Shareholder views, whether directly or indirectly expressed, together with relevant guidance and emerging trends, are carefully considered when reviewing reward design and outcomes. The key features of the Policy were disclosed in the prospectus published on 3 March 2023. Shareholders voted overwhelmingly to accept the demerger on the terms set out in the prospectus and no negative feedback was received from shareholders regarding executive remuneration.

We wrote to our major shareholders in December 2023 seeking feedback on the proposed 2024 Policy. At our AGM in May 2024, shareholders will be asked to vote on the Policy and the Remuneration Report. I hope that the Committee will have your support on both of these resolutions.

As Committee Chair, I continue to be available to engage with shareholders who wish to discuss the proposed Policy, or any of the content set out in this report, ahead of the 2024 AGM.

Celia Baxter

Chair of the Remuneration Committee

20 March 2024

REMUNERATION AT A GLANCE

Summary of the Directors' Remuneration Policy application in 2023 and 2024

The information below summarises how the remuneration framework set out in the demerger prospectus was applied in 2023, and how the Policy proposed for 2024 to 2027 will apply during 2024.

Element	2023	2024	2025	2026	2027	Application for 2023	Application for 2024
Base salary	→					Base salaries from Admission: – CEO: £890,000 – CFO: £630,000	Increases of 3.5% applied so that salaries from 1 January 2024 are: – CEO: £921,200 – CFO: £652,100 (Average budgeted increase for UK workforce as a whole is 4%.)
Benefits	→					Provide market-competitive and cost-effective benefits enabling the recruitment and retention of Executive Directors	Benefits will operate in line with the Policy
Retirement benefits	→					Employer contributions: – CEO: 12% of salary – CFO: 12% of salary	No change from the Policy which applied on Admission
Annual bonus	→	Deferral period				Maximum annual bonus opportunities from Admission: – CEO: 200% of salary – CFO: 150% of salary 2023 performance measures: – 40% adjusted operating profit – 40% entity cash flow – 20% strategic / ESG objectives	No change from the Policy which applied on Admission No change to performance measures for 2024
Performance shares		Vesting period		Holding period	→	2023 performance share award levels: – CEO: 300% of salary – CFO: 200% of salary 2023 performance measures: – 50% adjusted EPS annual growth – 50% TSR ranking against comparator group Vested awards are subject to a 2-year holding period	No change from the Policy which applied on Admission Awards will be granted under a new Omnibus Share Plan (OSP), subject to shareholder approval at the 2024 AGM No change to performance measures for 2024
Share ownership requirements					→	Minimum share ownership requirement: – CEO: 300% of salary – CFO: 300% of salary	No change from the Policy which applied on Admission

What performance means for Executive Directors' pay in 2023

Remuneration packages are designed to ensure strong alignment between individual pay and Company performance. 2023 saw the Company perform strongly against its financial and strategic objectives which has been appropriately reflected in the incentive outcomes, as set out in the Annual Report on Remuneration.

Single total figure of remuneration for 2023 (Audited)

CEO Liam Butterworth



CFO Roberto Fioroni



■ Fixed Pay ■ Variable Pay

→ For more information on how this is calculated see page 113.

DIRECTORS' REMUNERATION POLICY

Dowlais is a specialist engineering group whose purpose is engineering transformation for a sustainable world.

This section sets out the Directors' Remuneration Policy (Policy) proposed for shareholders' approval at the 2024 AGM. The key elements of the Policy were disclosed in the Company's prospectus published on 3 March 2023.

The Remuneration Committee (Committee) will consider the Policy annually to ensure it remains aligned with strategic objectives. Subject to approval by shareholders, it is intended that the Policy will apply immediately from the 2024 AGM for three years. If amendments are required to the Policy within that timeframe, for example due to changes to strategy or competitive pressures, it will first be presented to be voted upon by shareholders.

As described in the Company's prospectus published on 3 March 2023, Geoffrey Martin, who was appointed an Executive Director of Dowlais, will not receive any remuneration from the Company in connection with his appointment. Given this, references to the Executive Directors in this Policy do not include Geoffrey Martin.

Committee process to determine the Policy

The process the Committee went through in determining the Policy included the following steps:

- Reviewing the remuneration arrangements for Executive Directors with a particular focus on alignment with business strategy and priorities.
- Seeking advice from its independent remuneration adviser on general best practices, the requirements of the UK Corporate Governance Code, relevant regulations and proxy adviser and investor views.
- Considering wider workforce remuneration.
- Consulting with the Chair of the Board, CEO, CFO, Chief People, Sustainability and Communications Officer (CPSCO) and other key stakeholders on the proposed Policy.

In its deliberations on the new Policy, the Committee sought to minimise potential conflicts of interest by ensuring no Director or employee participated in discussions or decisions relating to their own remuneration and by seeking independent advice. Key stakeholders were kept well informed to ensure alignment between executive and wider employee remuneration structures.

The Committee's strategy was to establish a Policy that:

- Drives the success of the Company and the delivery of its business strategy, for the benefit of its stakeholders.
- Creates shareholder value.
- Provides an appropriately competitive package to attract, retain and motivate executive talent for a group of its size and nature, and which sources talent globally.
- Is aligned with the Company's business priorities, culture, wider employee remuneration structures and best practice.

The Company's remuneration policies and processes are fully compliant with all regulatory requirements and may be amended from time to time to ensure continued compliance.

The Policy will allow implementation of the remuneration strategy through a combination of base salary, retirement and other benefits, annual bonus and long-term incentives.

Remuneration Policy Table

Fixed remuneration

Base salary

Purpose and link to strategy To recruit and retain Executive Directors of the calibre and talent required to deliver Dowlais' strategic objectives and priorities.

Operation Salaries are normally reviewed annually, typically any increase with effect from 1 January. Ordinarily, when reviewing salaries, the Committee will consider factors including:

- Business performance.
- The complexity and international spread of the business.
- Personal performance, skills and expertise.
- Independently sourced data for relevant comparator groups.
- Salary increases awarded to the Dowlais executive management team and the wider Dowlais Group workforce.

Maximum opportunity There is no formal maximum limit and, ordinarily, salary increases will be no higher than the average increases for employees across the wider Group. However, increases may be higher to reflect a change in the scope of an individual's role, responsibilities or experience, or in other exceptional circumstances.

Should a new Executive Director have a base salary set below the previous incumbent's level, or below market level, the Committee reserves the right to make phased increases, which may be above the wider employee level, subject to the individual's development in role.

Performance framework The results of an individual's annual performance assessment and business performance are considered when reviewing salary levels.

Benefits

Purpose and link to strategy To recruit and retain Executive Directors of the calibre and talent required to deliver Dowlais' strategic objectives and priorities with market-competitive and cost-effective benefits, which are consistent with an individual's role and the location in which they operate.

Operation Executive Directors are eligible to receive benefits consistent with other Group employees and market practice, which may vary by location. This typically includes, but is not limited to:

- Car benefit.
- Private medical insurance (including eligibility for the Executive Director's spouse or partner and eligible dependent children).
- Health checks.
- Life assurance.
- Group income protection.
- Directors' and Officers' liability insurance and the indemnity provided by the Company in the form provided to all Directors.

Operation (continued)

Executive Directors based in the UK are eligible to participate in any all-employee share schemes which may be established by the Group, on the same terms as other employees.

In line with the policy for other employees, Executive Directors may be eligible to receive relocation allowances and international transfer-related benefits where appropriate.

Other limited benefits may be provided to new Executive Directors based on individual circumstances as deemed necessary and appropriate by the Committee.

Maximum opportunity Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee.

Performance framework None.

Retirement benefits

Purpose and link to strategy Provide market-competitive post-employment benefits (or cash equivalent) to recruit and retain Executive Directors of the calibre required to deliver Dowlais' strategic objectives and priorities.

Operation Executive Directors are eligible to receive a company contribution to an individual defined contribution pension arrangement which they may elect to receive as a cash payment in lieu of such contributions.

Base salary is the only element of remuneration that is used to determine such retirement benefits.

Maximum opportunity The maximum contribution of 12% of base salary for Executive Directors is in line with that available to the wider workforce in the country where the Executive Directors are based for employment purposes, currently being the United Kingdom.

Performance framework None.

Variable remuneration	
Annual bonus	
Purpose and link to strategy	To incentivise and reward execution of the business strategy on an annual basis. Considers individual behaviours and contributions. The use of deferral into the Company's shares delivers longer-term shareholder alignment.
Operation	Performance measures, targets and weightings will typically be set by the Committee at the start of the year to align with the Company's strategy and goals. After the end of the year, the Committee determines the extent to which these have been achieved. Once set, performance measures and targets will generally remain unaltered unless events occur which, in the Committee's opinion, make it appropriate to make adjustments to the performance conditions so that they maintain their commercial relevance. Performance is assessed on an annual basis, using a combination of the payouts for performance against each of the targets. The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) to ensure alignment with pay for performance, taking into account shareholder and broader stakeholder experience. Executive Directors will be required to defer 30% of their annual bonus into a share-based award for a period of two years, where they do not meet the minimum shareholding requirement. Dividend equivalent payments will normally accrue on deferred bonus awards during the deferral period, to the extent the awards vest. The calculation of these payments may assume the reinvestment of dividends. Annual bonuses and deferred bonus shares are subject to malus and clawback provisions (see page 106 for details). The treatment of bonus payments upon cessation of employment is described on page 109.
Maximum opportunity	The maximum bonus opportunities are 200% of salary for the CEO and 150% for the CFO.
Performance framework	Performance measures may be a mix of financial and non-financial metrics, although it is expected that the majority will be financial metrics. Financial performance will be assessed against one or more key metrics of the business, determined on an annual basis. The weighting between metrics will be determined by the Committee each year according to business priorities. For financial targets, not more than 25% of the potential bonus opportunity will be payable for achieving threshold performance rising on a graduated scale to 100% of potential bonus opportunity for maximum performance. Threshold performance is the level of performance required for the bonus to start paying.

Performance framework (continued)	For non-financial targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale so payout may take place in full if specific criteria are met in full. The Committee will provide appropriate levels of disclosure on a retrospective basis of the targets used in the annual bonus plan in the subsequent Directors' Remuneration Report. The financial performance measures for 2024 are adjusted operating profit and entity cash flow with each determining up to 40% of the maximum potential bonus opportunity. The remaining 20% of the bonus opportunity will be determined by reference to non-financial strategic objectives.
Performance share awards	
Purpose and link to strategy	To incentivise and reward long-term performance and align the interests of Executive Directors with those of shareholders. The post-vesting holding period delivers longer-term shareholder alignment.
Operation	Under the Omnibus Share Plan (OSP), awards may be granted in the form of conditional share awards, nil- or nominal-cost options or forfeitable shares. Awards granted under the OSP (excluding deferred bonus awards) vest at the end of a performance period determined by the Committee, subject to the achievement of stretching performance targets. Awards to Executive Directors are subject to performance conditions set by the Committee. Awards are usually granted annually to Executive Directors and normally have at least a three-year performance period and a further post-vesting holding period of two years. The performance conditions are reviewed before each award cycle to ensure they remain appropriately stretching. The Committee may adjust upwards or downwards (including to zero) the extent to which an award vests if it considers that the extent to which the award would otherwise vest is not a fair reflection of the performance of the Company, the Executive Director's performance and/or such other factors as the Committee may consider relevant. Dividend equivalent payments will normally accrue on awards, to the extent the awards vest, during the vesting period and post-vesting holding period applicable to the awards. The calculation of these payments may assume the reinvestment of dividends. Awards are also subject to malus and clawback provisions (see page 106 for details). The treatment of awards upon cessation of employment is described on page 109.
Maximum opportunity	The maximum annual award is 300% of salary for the CEO and 200% of salary for the CFO in respect of any financial year of the Company.

Performance framework	Vesting of performance share awards is subject to continued employment and the achievement of stretching targets. Performance measures may be a mix of financial and non-financial measures. For financial targets, not more than 25% of the total award will vest for threshold performance rising on a graduated scale to 100% of the total award for maximum performance. Threshold performance is the level of performance required for the award to start to vest. For non-financial targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale so vesting may take place in full if specific criteria are met in full. Further details, including the performance targets attached to the performance share awards in respect of each year, are disclosed in the Directors' Remuneration Report (see pages 116 and 117).
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Share ownership requirements	
Purpose and link to strategy	To align Executive Directors' interests with those of shareholders.
Operation	Executive Directors are expected to build and maintain a minimum shareholding in the Company over time expressed as a multiple of salary (300% for both CEO and CFO). Executive Directors have five years from the Company's listing date, 20 April 2023, or the date of their appointment, whichever is later, to meet the requirement. Until the relevant share ownership requirements have been met, Executive Directors are required to hold all Dowlais shares acquired under company share awards and from deferred annual bonuses (net of income tax). Unvested deferred bonus awards (which are not subject to performance conditions) and vested performance share awards which are subject to a holding period will count towards these shareholding requirements on a net-of-tax basis. Executive Directors will normally be required to continue to hold 100% of the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for a two-year period after leaving the Group. During this period, former Directors will be required to fully cooperate with the implementation of such arrangements as the Committee may reasonably expect in order to enforce this requirement.

Malus and clawback	
Purpose and link to strategy	To align Executive Directors' interests with those of shareholders and prevent payment for failure.
Operation	All variable pay will be subject to malus and clawback. The Committee or relevant body may apply malus and/or clawback provisions at any time up until: – the second anniversary of the date of payment of a cash bonus or grant of a deferred bonus award; and/or – the fifth anniversary of the date of grant of an OSP award. The Committee or relevant body may apply these malus or clawback provisions where it considers there are exceptional circumstances such as: – material misstatement of the financial results of a member of the Dowlais Group; – either the assessment of the performance conditions relating to, or the calculation of the number of shares subject to, a performance share award, or the assessment of the bonus by reference to which a deferred bonus award is granted being based on an error or inaccurate or misleading information; – gross misconduct by the relevant Executive Director; – serious reputational damage to the Company; and/or – the Company becoming insolvent or suffering a similar corporate failure.

Notes to the Policy Table

Performance measure selection and approach to target setting

Performance targets are set to be stretching, yet achievable, and take into account the Company's strategic priorities and business environment. The Committee sets targets based on a range of reference points including the business plan, analysts' consensus and historical and projected performance for the Company. Typically, a combination of financial and non-financial measures will be chosen to ensure that executive remuneration is aligned with the key performance indicators used in the business to monitor performance against our strategic priorities.

The measures used under the annual bonus are selected to reflect the Group's main priorities for any given financial year.

Regarding performance share awards, the Committee regularly reviews the performance measures to ensure that they align well with the Company's strategy and with our shareholders' interests.

Differences in policy from the wider employee population

The reward framework for the wider employee population is based on the principle that it should be sufficient to recruit and retain high-calibre talent, without paying more than is necessary, and be competitive within our broader industry, remunerating employees for delivery of the Company's strategy.

The Group has operations in various countries, with employees of differing levels of seniority. Accordingly, though based on the over-arching principle above, reward policies are also informed by local market practice as well as level of responsibility and accountability, reflecting the global nature of Dowlais' business.

The reward structures for executives and the wider employee population are aligned, in the way that remuneration principles are followed, in the way base salary and benefit levels are set in accordance with prevailing market conditions and relevant regulations in the countries in which employees are based, and in incentive plan design, which is broadly consistent throughout the Group.

Eligible employees participate in an annual bonus plan with similar performance criteria to those used for the Executive Directors, in order to drive alignment and a focus on results. Bonus opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate. All performance share awards have the same performance conditions as those applicable to the Executive Directors, although award sizes vary by organisational level.

The approach to reward for Executive Directors is consistent with the remuneration package for members of the Executive Committee. In general, a higher proportion of total remuneration for Executive Directors is linked to business performance, compared to the wider employee population, so that remuneration will increase or decrease in line with business performance and align the interests of Executive Directors and shareholders.

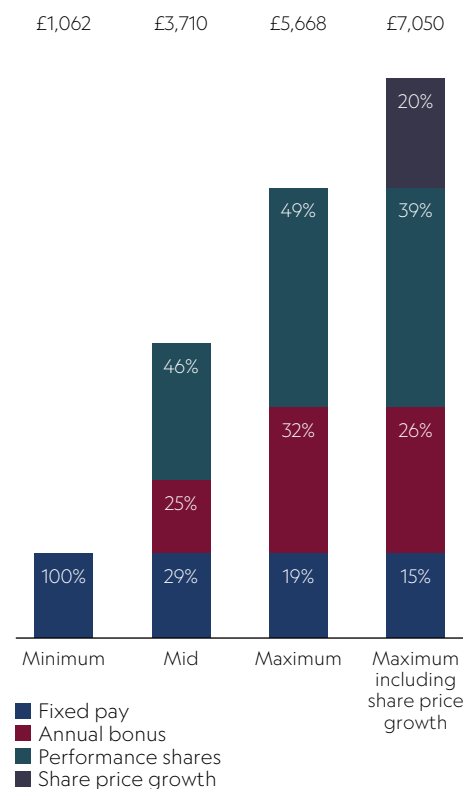
Consideration of employment conditions elsewhere in the Company

Whilst decisions on remuneration for employees outside the Executive Committee remain the responsibility of Company management, the Committee has oversight of the reward arrangements of the wider employee population. Although the Committee did not specifically consult employees when setting the Policy, employment conditions and remuneration arrangements applicable for the wider employee population are taken into account by the Committee when making decisions on executive remuneration (including workforce salary increases and bonus outcome). The Committee will also consider the CEO pay ratio.

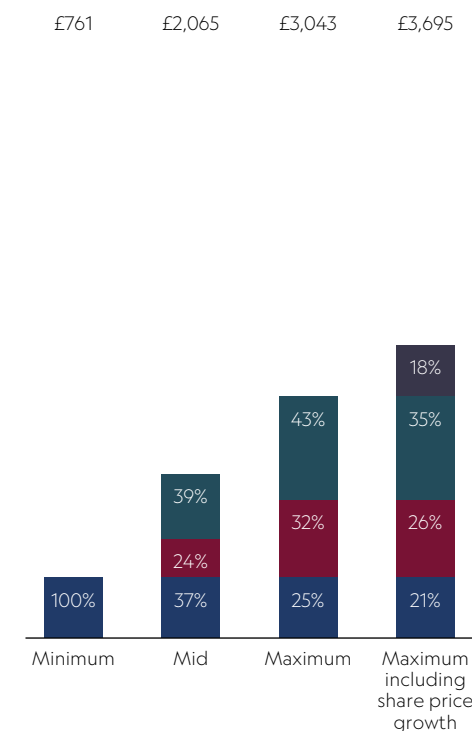
Projected total remuneration scenarios

The charts below illustrate what could be received by each Executive Director under the Policy. These charts are illustrative, as the actual value will depend on business performance and share price performance. The maximum performance also includes an additional bar which shows the impact of a 50% share price growth on the performance share outcome over the relevant performance period to show how the package value is aligned to shareholders. The charts reflect projected remuneration for the 2024 financial year.

CEO – Liam Butterworth (£'000s)



CFO – Roberto Fioroni (£'000s)



Basis of calculations and assumptions

Minimum	Fixed pay only – base salary, benefits and retirement benefits, being the only elements of the Executive Directors' remuneration package not linked to performance. Based on basic salary and retirement benefits applicable from 1 January 2024 and the value of other benefits provided in 2023.
Mid	Includes fixed pay, plus a payout of 50% of maximum under the 2024 annual bonus plan and mid-point performance vesting for the performance shares awarded in 2024 (62.5% of the maximum award).
Maximum	Includes fixed pay, plus full payout of annual and long-term incentives.
Maximum including share price growth	All elements the same as Maximum but assumes a 50% share price appreciation over the performance period.

Consideration of shareholder views

The Company is committed to regular and ongoing engagement and has sought the views of key shareholders and other stakeholders, including guidance from shareholder representative bodies more broadly, when shaping this Policy.

In March 2023, shareholders were given the opportunity to provide feedback on the proposed structure and quantum of executive remuneration set out within the demerger prospectus which was published ahead of the Company's admission to the London Stock Exchange. Shareholders voted overwhelmingly (99.7% in favour of votes cast) to accept the demerger on the terms set out in the prospectus; no negative feedback was received regarding executive remuneration.

Major shareholders were also engaged prior to finalising the Policy. A summary of the proposed Policy was sent to our largest shareholders and proxy advisers in December 2023, with a request for feedback and an invitation to discuss any aspects of executive remuneration they would like the Committee to consider when finalising the Policy.

The Committee will keep the Policy under regular review, to ensure it continues to reinforce the Company's long-term strategy and aligns closely with shareholders' interests. The Committee will consult major shareholders before making any significant changes to the Policy.

Recruitment policy

When agreeing a remuneration package for the appointment of a new Executive Director, the Committee will apply the following principles:

- The package will be sufficient to attract the calibre of Executive Director required to deliver the Company's strategy.
- The Committee will seek to ensure that no more is paid than is necessary.
- In the next Directors' Remuneration Report after an appointment, the Committee will explain to shareholders the rationale for the arrangements implemented.

The Committee will align the remuneration package of new Executive Directors with the Policy Table and may make use of all existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial base salaries set below market, or the previous incumbent's salary, the shortfall may be managed with phased increases subject to their development in the role.
Retirement benefits	The maximum contribution defined on page 104 will apply to new appointees based on the country they are based in for employment purposes. For the UK this is currently 12% of base salary.
Other benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of car benefits, healthcare, income protection, life assurance and any necessary relocation expenses (including schooling and other fees) in line with the ongoing Policy (including tax thereon).
Annual bonus	The structure described in the Policy Table will apply to new appointees with the relevant maximum opportunity.
Performance shares	New appointees will be granted performance share awards on the same terms as other executives, as described in the Policy Table.

The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will have regard to relevant factors, including any performance conditions attached to such arrangements, the form of those awards (e.g. cash or shares) and the timeframe of such awards. While such awards are excluded from the maximum levels of variable remuneration referred to in the Remuneration Policy table on page 105, the Committee's intention is that the value awarded (as determined by the Committee on a fair and reasonable basis) would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buyout awards will be subject to forfeiture or clawback on early departure.

The Committee retains the discretion to rely on the exemption under the FCA Listing Rule 9.4.2 to make such an award, or to utilise any other incentive plan operated by the Group.

In the case of an internal hire, any outstanding variable pay awarded in relation to the prior role will be allowed to pay out according to its terms of grant. However, the remuneration package associated with the Board appointment may be adjusted as relevant to take into account such legacy incentive awards.

In the event of the appointment of a new Chair or Non-Executive Director, remuneration arrangements will reflect the policy outlined in the Remuneration Policy table for Non-Executive Directors on page 111.

Directors leaving the Group

In the event of termination, service contracts for the CEO and the CFO provide for payments of base salary, retirement and other benefits only over the notice period or for the employer to terminate immediately by making a payment in lieu of notice, which will cover base salary only.

Notice (or payment in lieu) will only be payable where the Executive Director has not been terminated summarily in accordance with the terms of their service contract. The treatment of variable remuneration will depend on whether the Executive Director is classified as a 'Good Leaver' on cessation of employment, which will occur if the Executive Director ceases employment in the circumstances outlined in the following circumstances: death; ill-health; injury; disability; the sale of the employing company or business out of the Group; or otherwise at the discretion of the Committee. An Executive Director will be a 'Bad Leaver' if they cease employment other than as a 'Good Leaver.'

The following table sets out the treatment of variable remuneration in the event of loss of office:

Variable pay component	Leaver treatment
Annual bonus	Performance conditions will be measured at the bonus measurement date for 'Good Leavers' only, with the bonus normally pro-rated for the period worked during the financial year and paid in cash. Any such bonus may be paid in such proportions of cash and shares, and subject to such deferral arrangements, as the Committee may determine. No bonus will be payable to any Executive Director other than a 'Good Leaver' for the year of cessation. 'Good Leavers' will be entitled to retain their deferred bonus awards which will normally vest on their normal vesting dates. Deferred bonus awards granted to a 'Bad Leaver' will lapse. The Committee has the following elements of discretion with respect to the annual bonus and deferred bonus awards in the event of cessation of employment: - The Committee's normal policy is that it will time pro-rate a cash bonus, except in circumstances where there is an appropriate justification which will be explained in full to shareholders. - To vest any deferred bonus awards at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of 'Good Leaver' reason resulting in the cessation.
Performance shares	If an Executive Director holding performance share awards ceases employment in circumstances where they are a 'Good Leaver' before the vesting date, awards will normally continue and vest on the original vesting date, except in the case of the Executive Director's death or other exceptional circumstances, in which case the awards may vest early. The extent to which awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the relevant performance conditions have been met, the underlying performance of the Company and the Executive Director, such other factors the Committee may consider relevant and, unless the Committee decides otherwise, the proportion of the performance period which has elapsed when the Executive Director leaves. If an Executive Director holding performance share awards ceases employment in circumstances where they are a 'Bad Leaver' before the vesting date, all of their unvested awards will lapse as of the date on which their employment terminates. If an Executive Director ceases to be employed by the Company after the vesting date for whatever reason, they will be entitled to retain any outstanding vested awards held by them unless the Executive Director is summarily dismissed. Post-vesting holding periods applicable to awards will continue to apply unless the Committee determines otherwise.

The Company may also pay outplacement costs, legal costs and other reasonable relevant costs associated with termination and may settle any claim or potential claim relating to the termination.

Corporate events

In the event of a takeover of the Company, deferred bonus and performance share awards will normally vest (and be released from any holding periods) early. The proportion of any unvested awards which vest will be determined by the Committee, taking into account the extent to which the performance conditions have been satisfied, the underlying performance of the Company and the Executive Director, such other factors the Committee may consider relevant, and, unless the Committee determines otherwise, the proportion of the performance period which has elapsed. Deferred bonus awards will normally vest in full in the event of a takeover.

If the Company is wound up or other corporate events occur such as a variation of the Company's share capital, a demerger, special dividend or other transaction which, in the Committee's opinion, would materially affect the share price, the Committee may determine that awards will vest (and be released) on the same basis as for a takeover.

Service contracts

The Company's policy is for Executive Directors to be employed on the terms of service agreements, which may be terminated by either the Executive Director or the Company on the giving of not less than 12 months' written notice (subject to certain exceptions).

The table below sets out the dates of Executive Directors' service contracts, which are available for inspection at the Company's registered office.

Name	Position	Contract date	Notice period
Liam Butterworth	Chief Executive Officer	1 March 2023	12 months
Roberto Fioroni	Chief Financial Officer	1 March 2023	12 months
Geoffrey Martin ¹	Executive Director	1 March 2023	1 month

Notes

1. Geoffrey Martin has informed the Board that he will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting.

Non-Executive Directors' terms of appointment

The Non-Executive Directors and the Chair were each appointed by a letter of appointment, which are available for inspection at the Company's registered office. In each case, either party may terminate the appointment on six months' written notice, or, if earlier, with the consent of the Board.

Name	Position	Date of Appointment	Current letter of appointment expires
Simon Mackenzie Smith	Chair	9 February 2023	9 February 2026
Celia Baxter	Senior Independent Non-Executive Director	20 February 2023	20 February 2026
Philip Harrison	Independent Non-Executive Director	10 February 2023	10 February 2026
Alexandra Innes ¹	Independent Non-Executive Director	20 February 2023	20 February 2026
Fiona MacAulay	Independent Non-Executive Director	20 February 2023	20 February 2026
Shali Vasudeva	Independent Non-Executive Director	20 February 2023	20 February 2026

Notes

1. Alexandra Innes has informed the Board that she will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting.

Remuneration Policy for Non-Executive Directors

The Policy for Non-Executive Directors is set out below. The Chair and other Non-Executive Directors are not eligible to participate in any of the Company's incentive arrangements and will not receive retirement benefits.

Fees and benefits

Purpose and link to strategy	To attract and retain Non-Executive Directors with appropriate knowledge and expertise that add value to our business and help oversee and drive our strategy.
Operation	- Fees will be reviewed periodically and amended to reflect market positioning and any change in responsibilities. - Consideration is given to business performance, current remuneration competitiveness and average salary increases for the wider Dowlais employee population. - A base fee is determined for the Non-Executive Director role and additional supplemental amounts applied for additional responsibilities such as Committee membership and chairing roles. - Non-Executive Directors' fees are set by the Chair of the Board and Executive Directors; the Chair's fees are set by the Committee. - No Board member may participate in the approval of their own fees. - Benefits may include use of secretarial support, reimbursement of travel and accommodation costs and other benefits that may be appropriate (including any tax payable on those benefits). - Each Non-Executive Director is eligible to benefit from a director's indemnity and for cover under the Company's Directors' and Officers' liability insurance policy and is entitled to be reimbursed for all reasonable and properly documented expenses incurred in the performance of their duties. - Non-Executive Directors are not eligible to participate in Dowlais incentive plans or retirement benefits.
Maximum opportunity	- Fees are based on the level of fees paid to non-executive directors serving on boards of comparable UK-listed companies and the time commitment and contribution expected for the role. - While there is no maximum, fee increases will take into account the circumstances of the business, increases in remuneration across the Group and relevant market practice.
Performance framework	Non-Executive Directors are not eligible to participate in any performance-related incentive plans.

The Non-Executive Directors have been appointed for a period of three years, subject to annual re-election. Alexandra Innes, Non-Executive Director, has informed the Board that she will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting. All other Non-Executive Directors will stand for election at the first annual general meeting of the Company.

Details of Committee memberships and appointment dates are shown on pages 82 and 83 of this Annual Report.

Compliance with the Corporate Governance Code

The Policy reflects Dowlais' philosophy of pay for performance, shareholder alignment and strategic alignment over the short, medium and long term.

When determining the Policy, provision 40 of the UK Corporate Governance Code was taken into account as follows:

Code provision	How the Remuneration Committee applies the principle
Clarity	The Committee has engaged with the Company's largest shareholders and their advisers on the Policy. Remuneration arrangements are transparent, and reflect shareholder alignment and Dowlais' strategic priorities, thereby effectively engaging with the wider workforce and other shareholders. Details on Executive Directors' pay is clearly set out in the Remuneration Report on pages 113 to 117.
Simplicity	The Committee has aimed to incorporate simplicity and transparency into the design of our first Policy. The remuneration arrangements for Executive Directors are simple, comprising fixed pay (salary, benefits, retirement benefits), an annual bonus plan and performance share awards.
Risk	The Policy defines maximum limits for both annual and long-term incentive plans. The reward structures include deferral of the annual bonus and holding periods for vested performance share awards. Malus and clawback provisions apply to all incentives to encourage the right behaviours, which lead to long-term shareholder alignment and sustained value creation. The Committee has discretion to adjust the formulaic bonus and performance share award outcomes both upwards and downwards where appropriate.
Predictability	The total of fixed pay and variable pay (target and maximum) illustrated in the scenarios of total remuneration in our Policy provide an estimate of the potential future remuneration of the Executive Directors, including the total remuneration if a 50% share price growth is achieved.
Proportionality	There is a clear link between pay for performance and business strategy, with stretching financial targets applied to annual bonus payouts and performance share award vesting.
Alignment to culture	Financial targets apply to the annual bonus and performance share awards across the wider workforce to drive business performance. The vesting period of performance share awards reflects the time horizon of the business plan. The additional post-vesting holding period and post-employment shareholding requirement strengthens the alignment of interests between Executive Directors and other stakeholders. Malus and clawback provisions apply to annual bonus and performance share awards, and together with deferred bonus awards, holding periods and share ownership for the Executive Directors (and any other relevant senior employees), drive the right behaviours expected within Dowlais. New and existing Executive Directors are offered retirement benefits aligned with those available to the wider workforce in the country where the Executive Directors are based for employment purposes, currently being the United Kingdom.

Legacy arrangements

The Committee reserves the right to honour any commitments entered into with Directors which were fully disclosed in the Company's prospectus published on 3 March 2023. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Discretions retained by the Committee

The Committee operates the Group's variable pay plans according to their respective rules, their respective ancillary documents and the UK FCA's Listing Rules. In administering these plans, the Committee may apply certain operational discretions.

These include the following:

- Who participates in the plan.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of an award and/or payment.
- Determining the extent of vesting based on the assessment of performance.
- Determining the status of leavers and, where relevant, the extent of vesting.
- Determining the extent of vesting of awards under share-based plans in the event of a change of control.
- Making appropriate adjustments required in certain circumstances (for example rights issues, corporate restructuring events, variation of capital and special dividends).
- What the weighting, measures and targets should be for the annual bonus plan and performance share awards from year to year.
- Adjusting existing targets if events occur that cause the Committee to determine that the targets set are no longer appropriate and that amendment is required so the relevant award can achieve its original intended purpose, provided that the new targets are not materially less difficult to satisfy.

The Committee also retains discretion to make non-significant changes to the Policy without reverting to shareholders (for example, for regulatory, tax, legislative or administrative purposes).

ANNUAL REPORT ON REMUNERATION

Single figure of remuneration – Executive Directors (audited)

The following table shows a single total figure of remuneration for each Executive Director in respect of qualifying services for the 2023 financial year. This covers the period between Dowlais Group plc's Admission to the London Stock Exchange (20 April 2023) and the end of the financial year (31 December 2023). Given that the Dowlais demerger took place on 20 April 2023, no comparable prior year data could be provided.

Simon Peckham and Geoffrey Martin, who were appointed Executive Directors of Dowlais, did not receive any remuneration from the Company in connection with their appointments (Simon Peckham subsequently resigned as a Director of the Company with effect from 31 December 2023). Given this, they are excluded from the table below.

£'000	Liam Butterworth	Roberto Fioroni
Salary	619	438
Benefits	21	21
Pension	74	53
Total fixed remuneration	714	512
Annual bonus ¹	1,127	598
Performance share award ²	–	–
Total variable remuneration	1,127	598
Total remuneration ³	1,841	1,110

Notes

- 30% of the total annual bonus for 2023 was deferred into shares of the Company for a period of two years.
- There were no performance share awards vesting in 2023. Performance share awards were made on 2 May 2023 and are scheduled to vest in Q2 2026.
- Prior to Admission, the Executive Directors and selected senior employees participated in the GKN Automotive long-term participation cash bonus scheme. Payments under the scheme were triggered by the demerger and the value of payment was based on the value created between the date of grant and the date of Admission and so relate to performance prior to listing over a number of years. The awards were cash-settled, with executives being required to reinvest 15% of the net cash proceeds in shares as soon as practical following Admission. There are no outstanding awards under the scheme which terminated on the date of Admission. Upon Admission, Liam Butterworth received a gross payment of £12,000,000, of which £954,000 was re-invested into Dowlais shares on 24 April 2023 at a price of £1.224 per share. Roberto Fioroni received a gross payment of £4,200,000, of which £333,900 was re-invested into Dowlais shares on 24 April 2023 at a price of £1.224 per share. The shares will be required to be held in accordance with the minimum shareholding guidelines outlined in the Remuneration Policy.

Salaries for 2023 (audited)

2023 annual salary levels for the Executive Directors applied from the date of Admission (20 April 2023). Total base salary paid in 2023 is for the period between Admission (20 April 2023) and the end of the financial year (31 December 2023).

	Annual base salary as of 20 April 2023	Total base salary paid in 2023
Liam Butterworth, CEO	£890,000	£618,966
Roberto Fioroni, CFO	£630,000	£438,212
Geoffrey Martin, Executive Director	£0	£0
Simon Peckham, Executive Director	£0	£0

2024 salaries

The Committee carefully considered whether any increases should be awarded to Executive Directors' salaries in 2024. Factors that have been taken into account when considering the pay review for Directors included investors' expectations and external environment, Company performance, planned salary increases for the wider employee population, personal performance of the executives, competitive market positioning of the current salaries and total remuneration packages and the current talent market.

The Committee noted that 2023 saw the Company perform strongly against its financial and strategic objectives. On this basis, it resolved that 2024 salaries for Executive Directors should be increased by 3.5%, an increase that took into account the average increase of 4% that will be awarded to the wider workforce in the UK.

	Annual base salary as of 1 January 2024	% increase
Liam Butterworth, CEO	£921,200	3.5%
Roberto Fioroni, CFO	£652,100	3.5%
Geoffrey Martin, Executive Director	£0	0%

Simon Peckham resigned as a Director of the Company with effect from 31 December 2023 and Geoffrey Martin has informed the Board that he will not stand for election as a Director at the 2024 AGM and will therefore retire from office with effect from the conclusion of the meeting. Neither received remuneration for undertaking the role of Director and neither will receive payment as former Directors.

Benefits for 2023 (audited)

2023 benefits for the CEO and CFO included car allowance, private medical insurance (including spouse or partner and eligible dependent children), health checks, life assurance, membership of a Group income protection plan, and reimbursement of expenses properly incurred in the ordinary course of business, which are deemed to be taxable benefits.

Geoffrey Martin and Simon Peckham did not receive any Company benefits in 2023.

2024 benefits

Benefits for 2024 remain in line with the Policy.

Retirement benefits for 2023

From the date of Admission both Executive Directors received retirement benefits at the rate of 12% of annual base salary, which comprised cash payments in lieu of pension contributions. Executive Directors do not participate in defined benefit pension plans.

The retirement benefit for Executive Directors is in line with that available to the wider workforce in the country where they are based for employment purposes, currently being the United Kingdom.

	Total cash allowance paid in 2023
Liam Butterworth, CEO	£74,276
Roberto Fioroni, CFO	£52,585
Geoffrey Martin, Executive Director	£0
Simon Peckham, Executive Director	£0

Total cash allowance paid in 2023 is for the period between Admission (20 April 2023) and the end of the financial year (31 December 2023).

2024 retirement benefits

Retirement benefits for 2024 remain in line with the Policy.

Annual bonus for 2023 (audited)

The 2023 annual bonus plan set by Melrose prior to demerger was based on performance for the year ended 31 December 2023. 80% of the bonus opportunity was determined by performance against financial targets and 20% was based upon the achievement against strategic objectives. Annual bonuses were based on performance for the full 2023 financial year.

The maximum annual bonus opportunity for the Executive Directors from Admission was 200% of salary for the CEO and 150% of salary for the CFO. Geoffrey Martin and Simon Peckham did not participate in the 2023 annual bonus plan.

Performance measures	2023 annual bonus performance points and outcomes		
	Threshold (25% of max)	Maximum (100%)	Achieved
Adjusted operating profit ¹	£320m	£400m	£370m
Entity cash flow ²	£(20)m	£40m	£73m
Strategic objectives			Fully achieved

Notes

- Adjusted operating profit is an Alternative Performance Measure, defined and reconciled to statutory measures in the Alternative Performance Measure section on page 191 on a constant currency basis.
- Entity cash flow is defined as being adjusted free cash flow (as defined in the Alternative Performance Measures section on page 194) of £93 million adjusted for lease principal payments of £25 million and dividends paid to non-controlling interests of £7 million, on a constant currency basis.

20% of the Executive Directors' 2023 annual bonus is linked to the achievement of strategic objectives. The objectives were set ahead of Admission and were focused on key strategic priorities for 2023.

At its meeting in February 2024, the Committee considered the level of achievement against the strategic objectives for 2023. The table below summarises the performance outcomes.

Objective	Description of performance	Level of performance
Submission of science-based targets to the SBTi for Automotive business by February 2023	Targets for the Automotive business were submitted to the SBTi on 28 February 2023; targets for the Powder Metallurgy business were submitted on 21 December 2023.	Achieved
Miskolc production facility successful go-live: on or under budget, on time or earlier	Production for first serial delivery achieved on 16 October 2023, as planned. Positive customer feedback. Project on budget, despite inflationary pressures vs. business case. Other elements of the project delivered on time, including site construction, equipment transfer, recruitment and customer deliveries.	Achieved

Objective	Description of performance	Level of performance
Material progress on the Group's Americas industrial strategy	Major 2023 milestones achieved according to plan. Villagran capability build according to plan, access to site achieved in November 2023. Alamance re-layout and validation of Roxboro equipment on track. Implementation of a major project milestone was postponed to Q1 2024 at a key customer's request, but all Dowlais internal elements of the project were ready to be executed in accordance with the plan.	Achieved
Successful in-year execution of EV strategy as outlined in Capital Markets Event; BEV and HEV at or ahead of market	Automotive: new business awards with strong BEV and HEV programme wins, ensuring order book aligned with market expectations (2027 order book forecasts GKN Automotive portfolio of 64% non-ICE vs. market assumption of 63% for light vehicle production). New business awards across the product portfolio, including a 3-in-1 eDrive system. Powder Metallurgy: portfolio transition accelerated. Increase of new business awards for propulsion source agnostic products from 58% in 2022 to 72% in 2023, including a major business win for an EV differential. First sales of powder for LFP batteries and first commercial agreement secured for e-motor magnets.	Achieved

Recognising the strong performance against the strategic objectives during 2023, the Committee judged that the maximum of 20% of the total bonus potential attributable to strategic objectives was appropriate for the Executive Directors.

The table below summarises the formulaic performance outcome against the 2023 annual bonus targets and the resulting bonuses, including the portion payable in cash in 2024 and the portion deferred into shares for a further two years to be released in 2026, subject to continued employment and malus and clawback provisions. Deferral provisions apply to 30% of the 2023 bonus paid.

Outcomes	Liam Butterworth, CEO	Roberto Fioroni, CFO
Adjusted operating profit (as a proportion of the maximum opportunity)	31/40	31/40
Entity cash flow (as a proportion of the maximum opportunity)	40/40	40/40
Strategic objectives (as a proportion of the maximum opportunity)	20/20	20/20
Total (as a proportion of the maximum opportunity)	91/100	91/100
Maximum bonus opportunity as a % of salary	200%	150%
Value of bonus paid in cash	£1,133,860	£601,965
Value of bonus deferred into shares	£485,940	£257,985
Overall award level	£1,619,800	£859,950

When deciding the level of annual bonus, the Committee considered the experience of the Group's key stakeholders during the 2023 financial year (as summarised on page 100). The Committee concluded that the outcome of the 2023 annual bonus appropriately reflected the Company's performance in 2023 and was commensurate with the broader stakeholder experience in that period. Consequently, it was not felt necessary to apply any discretion to amend the formulaic outcome of the overall award level.

Deferral policy

In line with the Policy, as the Executive Directors have not yet met their minimum personal shareholding requirements, 30% of the 2023 annual bonuses have been deferred for two years into shares of the Company, subject to continued employment and malus and clawback provisions.

2024 annual bonus

In line with Policy and unchanged from 2023, for 2024 the threshold and maximum annual bonus opportunities for the Executive Directors will be:

	Threshold opportunity (% of salary)	Maximum opportunity (% of salary)
Liam Butterworth, CEO	40%	200%
Roberto Fioroni, CFO	30%	150%

Geoffrey Martin will not participate in the 2024 annual bonus plan. Performance will be based on Group financial performance targets and strategic objectives. The performance measures and percentage weightings will be:

- adjusted operating profit (40%);
- entity cash flow (40%), and
- strategic / ESG objectives (20%).

2024 annual bonus targets are considered commercially sensitive and will be disclosed in the 2024 Annual Report.

In line with the Policy, Executive Directors who do not meet the minimum shareholding requirement will be required to defer 30% of their annual bonus award into shares of the Company for two years, subject to continued employment and malus and clawback provisions.

Long-term incentive awards vesting

No Dowlais long-term incentive awards vested in 2023. Performance share awards were granted under the Performance Share Plan (PSP) in May 2023, as set out in the section below.

Performance share awards made in 2023 (audited)

Performance share awards are used as a long-term incentive for senior managers in the Group, with awards vesting after three years, and held for a further two years by the Executive Directors. The CEO and CFO were granted awards with a face value of 300% of salary and 200% of salary respectively.

The table below sets out details of awards made on 2 May 2023:

Executive Director	End of performance period	Type of award ²	Nature of award	Number of shares subject to award	Grant price ¹	Face value at grant
Liam Butterworth	31 December 2025	PS	Conditional shares	2,119,576	£1.2597	£2,670,030
Roberto Fioroni	31 December 2025	PS	Conditional shares	1,000,249	£1.2597	£1,260,014

Notes

- Grant price was calculated as the average closing share price over the seven trading days immediately preceding the grant date.
- PS = Performance share.
- Geoffrey Martin and Simon Peckham did not participate in any long-term incentive plan of the Company in 2023.

Performance measures for the 2023 performance share awards

As disclosed in the demerger prospectus, the performance share awards granted in 2023 have two performance measures which carry equal weighting: adjusted EPS and relative TSR. The Committee's policy is that no adjustments for exchange rate movements are made to EPS over the performance period as these are of a long-term nature and fluctuations are more likely to average out over the period.

Measure	Weighting	Target ranges	
		Threshold (25% vesting)	Maximum (100% vesting)
Adjusted EPS annual growth ¹	50%	5% annual compound growth over 3 years	20% annual compound growth over 3 years
TSR ranking ²	50%	Median ranking against comparator group	Upper quartile ranking (or higher) against comparator group

Notes

- Up to 50% of the 2023 performance share award vests by reference to the Group's adjusted earnings per share ("EPS") annual compound growth averaged over the three complete financial years ending 31 December 2025. If EPS average annual compound growth is less than 5%, there will be no vesting of the EPS element of the award; 25 per cent of the EPS element of the award will vest if EPS average annual compound growth is 5%; and 100 per cent of the EPS element of the award will vest if EPS average annual compound growth is 20% or more. Vesting between Threshold and Maximum will be on a straight-line basis.
- Up to 50% of the 2023 performance share award will vest by reference to the Company's total shareholder return (TSR) performance, as compared to that of a comparator group consisting of 12 EU automotive and UK industrials companies.

TSR comparator group

European Automotive sector	UK industrials sector
Valeo	Spirax Sarco
Schaeffler	IMI
Continental	Rotork
Gestamp	Tyman
Plastic Omnium	Weir
Forvia	Hill & Smith

Typical practice would be to baseline the TSR measurement using an average over one month immediately prior to the start of a three-year performance period. As Dowlais Group plc listed on 20 April 2023, part way through the 2023 financial year, several one-off transitional adjustments to typical practice were applied.

Dowlais TSR was baselined using the average closing share price over the first seven trading days (20 to 28 April 2023 inclusive); TSR for the comparator group was baselined by averaging closing share prices over the one-month period ending on 28 April 2023. To align with the Company's financial year end, TSR performance measurement is averaged over the one-month period from 1 December to 31 December 2025 (for both Dowlais and the comparator group). Whilst this slightly shortens the typical three-year performance period (from 36 to 32 months), it ensures alignment of the TSR performance period with the financial year, both for the 2023 performance share award and subsequent annual awards.

The TSR element of the award will not vest if the Company performs below the median constituent of the comparator group; 25 per cent of the TSR element of the award will vest if the Company performs in line with the median constituent of the comparator group; and 100 per cent of the TSR element of the award will vest if the Company performs equal to or outperforms the upper quartile of the comparator group. Vesting between Threshold and Maximum will be on a straight-line basis.

In determining the vesting levels and any adjustment which should apply, the Committee will also consider wider factors, to ensure outcomes are a fair reflection of the performance of the Company and the experience of stakeholders.

Details of performance against each of the measures and the level of any adjustment applied by the Committee, if applicable, will be fully disclosed in the 2025 Directors' Remuneration Report.

The awards are in respect of the performance period 1 January 2023 – 31 December 2025 and are scheduled to vest following the announcement of the FY25 results. Malus and clawback provisions and a two-year post-vesting holding period apply to these awards.

2024 performance share awards

In line with the Policy, the CEO and CFO will each be granted an award with a face value of 300% of salary and 200% of salary respectively. Geoffrey Martin will not participate in any long-term incentive plan of the Company for 2024.

The structure, performance measures and weightings of the 2024 performance share awards will remain unchanged from 2023. The Committee reviewed and set EPS growth targets that accurately reflect the current business environment whilst continuing to be sufficiently stretching.

Before approving the 2024 performance share awards, the Committee noted the share price volatility experienced by our shareholders since the demerger, the strong financial performance of Dowlais and the Executive Directors, and shareholder feedback questioning whether the quantum of long-term incentive awards was sufficiently competitive taking into account business complexity and the global remit of the Executive Directors' roles. After much discussion, the Committee concluded that the 2024 long-term incentive awards would not be scaled back and would be granted at the same level as in 2023. However, the Committee noted that it has discretion within policy to scale back vesting to avoid windfall gains.

For the 2024 award, the following performance measures will be used:

Measure	Weighting	Target ranges	
		Threshold (25% vesting)	Maximum (100% vesting)
Adjusted EPS annual growth ¹	50%	5% annual compound growth over 3 years	15% annual compound growth over 3 years
TSR ranking ²	50%	Median ranking against comparator group	Upper quartile ranking (or higher) against comparator group

Notes

- Up to 50% of the 2024 performance share awards vest by reference to the Group's adjusted earnings per share ("EPS") annual compound growth averaged over the three complete financial years ending 31 December 2026. The targets reflect accurately the current business environment whilst continuing to be sufficiently stretching. Vesting between Threshold and Maximum will be on a straight-line basis.
- Up to 50% of the 2024 performance share award will vest by reference to the Company's total shareholder return (TSR) performance, as compared to that of a comparator group consisting of 12 EU automotive and UK industrials companies measured over a three-year performance period from 1 January 2024 to 31 December 2026. TSR for Dowlais and the comparator group will be baselined by averaging closing share prices over the one-month period ending on 31 December 2026. TSR performance measurement is averaged over the one-month period from 1 December to 31 December 2026 (for both Dowlais and the comparator group of companies). Vesting between Threshold and Maximum will be on a straight-line basis.

In determining the vesting levels and any adjustment which should apply, the Committee will also consider wider factors to ensure outcomes are a fair reflection of the performance of the Company and the experience of stakeholders.

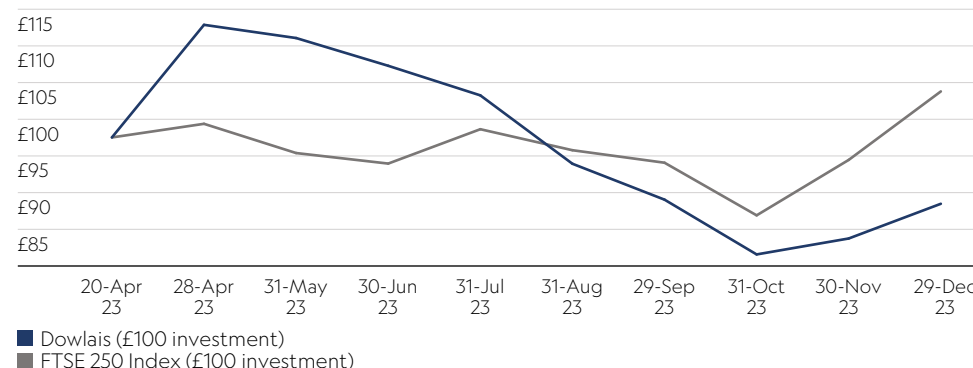
Payments for loss of office and to past Directors (audited)

There were no payments to Directors for loss of office and no payments to past Directors during 2023.

Total shareholder return (TSR)

The chart shows the monthly value, from the time of demerger to 31 December 2023, of £100 invested in Dowlais shares on 20 April 2023, compared to £100 invested in the FTSE 250 Index on the same date. The FTSE 250 Index was chosen as the comparator because the Company is a constituent of this index.

Total Shareholder Return



Chief Executive Officer – historical remuneration information

The table below shows the remuneration of the Chief Executive Officer for the period between Admission (20 April 2023) and the end of the financial year (31 December 2023). As this is the Company's first Remuneration Report, there is no prior year data.

Year	2023
Chief Executive Officer	Liam Butterworth
Single figure of total remuneration (£'000)	1,841
Annual bonus outcome (% of maximum)	91%
Performance share award vesting (% of maximum) ¹	n/a

Notes

- There were no performance share awards vesting in 2023. The first performance share awards were granted on 2 May 2023 and so are not scheduled to vest until Q2 2026.

Relative importance of spend on pay

As this is the Company's first Remuneration Report, there is no year-on-year comparison. A comparison of spend on pay in 2023 and 2024 will be made in the 2024 Directors' Remuneration Report.

Year	2023
Total employee costs ¹	£1,206m
Dividends ²	£58m

Notes

1. Total employee costs are presented in line with the Note 7 to the Financial Statements.
2. Dividends are presented in line with the Note 10 to the Financial Statements.

Chief Executive Officer's pay compared with employee pay

On 31 December 2023, Dowlais employed 232 individuals in the UK; the average for 2023 as a whole was 247. Despite this being below the threshold for disclosure purposes, in the interests of transparency the Committee has chosen to provide pay ratios of the CEO's total remuneration to the remuneration of UK employees at the lower quartile, median and upper quartile. The total remuneration for each quartile employee, and the salary component within this, is also outlined below.

Year	Method	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2023 ^{1,2}	Option A	64:1	35:1	22:1

Notes

1. 2023 CEO single figure does not include any long-term incentive component as the first performance share award was made to the CEO in 2023 and will be included, subject to vesting, within the 2026 single figure of remuneration.
2. The total remuneration for employees is based on earnings between 20 April 2023 and 31 December 2023 and the 2023 bonus pro-rated for that period.

Year	25 th percentile	Median	75 th percentile
2023 salary ¹	£28,668	£44,139	£66,164
2023 total remuneration ¹	£28,847	£53,258	£85,359

Notes

1. Remuneration shown in the table above is based on earnings between 20 April 2023 and 31 December 2023 and the 2023 bonus pro-rated for that period.

Methodology

We have chosen to use Option A as our preferred methodology to calculate the CEO pay ratio as this produces the most meaningful data that is representative of the remuneration levels for UK employees.

Remuneration was calculated in line with the methodology used to determine the single total figure of remuneration for the CEO, as presented in this report. Remuneration figures are determined with reference to the financial year ending on 31 December 2023. The remuneration covers salary, benefits and retirement benefits from 20 April to 31 December 2023, and pro-rated bonus in respect of 2023 which will be paid in March 2024. Where required, actual remuneration was converted into a full-time equivalent by pro-rating earnings to reflect full-time contractual working hours.

The Committee determined that the identified employees are reasonably representative, since the structure of their remuneration arrangements is in line with that of the majority of employees in the UK. The Committee believes that the median pay ratio for the 2023 financial year is consistent with the pay, reward and progression policies for the Company's UK employees as a whole. It should be noted, however, that the CEO's 2023 remuneration does not include any long-term incentives vesting and as such, the pay ratio may change in future years. Given that the Dowlais demerger took place on 20 April 2023, no comparable prior year data could be provided.

Percentage change in remuneration

As this is the Company's first Remuneration Report, there is no year-on-year comparison. A comparison of remuneration in 2023 and 2024 will be made in the 2024 Directors' Remuneration Report.

Consideration of workforce pay and approach to engagement

The Board receives verbal updates on employee engagement quarterly, with a detailed update, including employee survey results, presented annually. In addition, the Group operates a Workforce Advisory Panel whose purpose is to ensure suitable engagement with our workforce, ensuring that employee engagement mechanisms are regularly reviewed and remain effective.

The role of the Panel includes:

- reviewing all employee engagement activities undertaken by the Business Units to ensure they are achieving their aims;
- enabling management to understand the views of their colleagues across the business;
- reviewing relations between each Business Unit and relevant employee-representative bodies to ensure they are effective;
- ensuring that the views of the workforce are being taken into account in executive decision making;
- considering methods by which engagement with the workforce could be improved;
- ensuring that the Board understands the views of the workforce as a whole;
- assisting the Board in ensuring that the interests of the workforce are duly considered by the Board in its decision making.

Although the mechanisms differ across the business, the primary methods of engagement comprise engagement surveys, skip-level meetings and employee town halls (both local and global). Whilst we have not directly consulted on executive remuneration in the limited time since the demerger, the wider workforce can ask questions and provide feedback on this topic through our engagement mechanisms referenced above. The Company intends to include executive remuneration as an explicit topic for discussion in the coming year.

To ensure that the remuneration-related decisions are fair and appropriate, the Committee considered employees' pay increases when determining the appropriate salary levels for the Executive Directors and fees for the Chair. In addition, the Committee was provided with an update on bonus outcomes for the wider employee population, which were taken into account to ensure that the bonus outcomes are appropriately reflecting business performance at all levels in the organisation. Furthermore, the Committee approved the terms and details of the 2023 share awards made to the executives and the wider workforce population.

Remuneration Committee advisers

During 2023, Willis Towers Watson (WTW) was the independent remuneration adviser to the Committee. WTW was appointed by the Committee in May 2023 following a tender and selection process.

As part of this process, the Committee considered the services that WTW provided to other FTSE 250 companies and Dowlais' competitors, as well as other potential conflicts of interest. WTW is a member of the Remuneration Consultants Group and voluntarily operates under its code of conduct when providing advice on executive remuneration in the UK. The Committee is comfortable that the WTW engagement partner and team providing remuneration advice to the Committee do not have connections with Dowlais or its individual Directors that may impair their independence and objectivity.

The total fees paid to WTW for the provision of independent advice to the Committee in 2023 were £42,805 charged on a fixed fee as well as time and materials basis. During 2023, WTW also provided other services to Dowlais entities, including incentive valuations and other general remuneration data and advice. Remuneration advice is provided by an entirely separate team within WTW.

2023 Non-Executive Directors' remuneration

The Chair is entitled to receive a fee of £400,000 per annum and is inclusive of all Committee roles. The base fee for each other Non-Executive Director is £70,000 per annum.

Additional fees are payable as follows:

- £20,000 per annum for the Senior Independent Director;
- £25,000 per annum for chairing the Audit Committee;
- £25,000 per annum for chairing the Remuneration Committee;
- £15,000 per annum for membership of the Audit Committee;
- £15,000 per annum for membership of the Remuneration Committee; and
- £5,000 per annum for membership of the Nomination Committee.

'Single figure' of remuneration – Non-Executive Directors (audited)

The table below shows the total remuneration received by the Non-Executive Directors for the period between the demerger (20 April 2023) and the end of the financial year (31 December 2023). This consists entirely of fees; no benefits or other forms of remuneration were received during this period. Given that the demerger took place on 20 April 2023, no comparable prior year data can be provided.

Non-Executive Director	2023 total remuneration £'000
Simon Mackenzie Smith	£278
Celia Baxter	£94
Philip Harrison	£70
Alexandra Innes	£63
Fiona MacAulay	£63
Shali Vasudeva	£63

Statement of Directors' shareholding and share interests (audited)

Total shareholding of Directors on 31 December 2023 is shown below.

	Director	Shares beneficially owned	Shares not subject to performance	Shares subject to performance	Total interest	Shareholding required (% salary)	Share ownership as % of 2023 salary ¹	Share ownership requirement met
Chair	Simon Mackenzie Smith	163,392	–	–	163,392	n/a	–	n/a
Executive Directors	Liam Butterworth	1,601,952	–	2,119,576	3,721,528	300%	184%	No
	Roberto Fioroni	902,012	–	1,000,249	1,902,261	300%	146%	No
	Geoffrey Martin	2,218,576	–	See note 2	2,218,576	n/a	–	n/a
	Simon Peckham	4,023,965	–	See note 2	4,023,965	n/a	–	n/a
Non-Executive Directors	Celia Baxter	92,855	–	–	92,855	n/a	–	n/a
	Philip Harrison	42,768	–	–	42,768	n/a	–	n/a
	Alexandra Innes	19,946	–	–	19,946	n/a	–	n/a
	Fiona MacAulay	12,182	–	–	12,182	n/a	–	n/a
	Shali Vasudeva	–	–	–	–	n/a	–	n/a

Notes

- Share ownership as % of 2023 salary is based on salary at 31 December 2023 and the average mid-market closing share price between 1 December and 31 December 2023 of £1.0225.
- Geoffrey Martin and Simon Peckham were granted options by Melrose Industries PLC under the Melrose Automotive Share Plan (MASP), providing each of them with an opportunity to acquire up to 16% of the ordinary shares in Dowlais Group plc shares held by the MASP employee share ownership trust (27,865,471 shares at the commencement date of the MASP), subject to performance conditions. More information about the MASP options can be found on pages 137 – 141 of the Melrose Industries PLC Annual Report 2022. As Geoffrey Martin and Simon Peckham have not received any remuneration from Dowlais in connection with their appointment as Executive Directors, it is not possible to express their share interests under the MASP as a percentage of salary.

Executive Directors are expected to build and maintain a holding in Dowlais shares with a value equivalent to 300% of base salary. Executive Directors have five years from the Company's listing date, 20 April 2023, or the date of their appointment, whichever is later, to meet the requirement.

Until the share ownership requirements have been met, Executive Directors are required to hold all Dowlais shares acquired under performance share and/or deferred annual bonus awards (net of income tax and National Insurance contributions).

Executive Directors will normally be required to continue to maintain the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for a two-year period after leaving the Group.

Remuneration Committee governance

Composition of Committee

The Committee is comprised of three independent Non-Executive Directors and the Chair of the Board who is also considered independent: Celia Baxter as Chair, Fiona MacAulay, Alexandra Innes and Simon Mackenzie Smith.

Key responsibilities of the Committee

The Board holds the ultimate responsibility for the remuneration of executives and assigns this duty to the Remuneration Committee. The main role of the Committee is to align with the Group's strategy by ensuring its execution is supported by the overarching Remuneration policy, as described earlier in this report. Additionally, it decides on the individual remuneration packages, which include service contracts and retirement benefits, for each Executive Director and the top executives, as well as the fees paid to the Chair.

The Committee's key responsibilities and objectives are set out in its terms of reference and include:

- Designing the Remuneration Policy.
- Implementing the Remuneration Policy.
- Ensuring that compensation remains competitive within a suitable governance structure.
- Developing the incentive plans.
- Establishing incentive objectives and deciding on award levels.
- Overseeing all share awards across the Group.

The Committee is aware of the importance of the wider context in which it operates in discharging these responsibilities.

The Committee's terms of reference can be viewed at dowlais.com.

How we work

The Committee ordinarily plans to meet at least twice a year and since listing in April 2023 has held two meetings. Individual attendance at these meetings can be found on page 86.

Each member of the Committee is an independent Non-Executive Director, which is essential for ensuring that the remuneration for Executive Directors and senior executives is determined by individuals who are impartial and have no personal financial stake in the decisions made, aside from their interests as shareholders. The Committee operates without any potential conflicts of interest related to cross-directorships and there is no day-to-day involvement in running the business.

The Committee consults with the Chief Executive Officer, who may attend meetings of the Committee by invitation, but is not involved in deciding his own remuneration. The Committee also receives support from the Chief People, Sustainability and Communications Officer, the Group General Counsel and Company Secretary, and WTW, the independent remuneration adviser to the Committee.

No-one is permitted to be involved in discussions or decisions regarding their own remuneration or conditions of service.

Statement of voting at the Annual General Meeting (AGM)

The statement of voting at Dowlais' first AGM on 20 May 2024 will be disclosed in the 2024 Directors' Remuneration Report.

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 20 March 2024.

Signed on behalf of the Board

Celia Baxter

Chair of the Remuneration Committee

20 March 2024

DIRECTORS' REPORT

Introduction

Dowlais Group plc is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered number 14591224.

This Directors' Report and the Strategic Report on pages 1 to 126 (inclusive) together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R. This Directors' Report contains information to be given in accordance with the Companies Act 2006. Relevant information below, which is contained elsewhere in this Annual Report, is incorporated by cross reference.

Dividends and dividend policy

The Board has adopted a sustainable and progressive dividend policy, targeting a payout of approximately 30% of adjusted profit after tax. In respect of the period since the demerger to 31 December 2023, the Board has recommended a final dividend of 2.8 pence per ordinary share which, together with the interim dividend of 1.4 pence per ordinary share paid on 27 October 2023, gives a total dividend for the year of 4.2 pence per ordinary share. Subject to shareholder approval, the final dividend will be paid on 30 May 2024 to shareholders on the register on 19 April 2024.

The Company offers a Dividend Reinvestment Plan ("DRIP") which gives shareholders the opportunity to use their dividend payments to purchase further ordinary shares in the Company. Further details about the DRIP can be found within the Shareholder FAQs in the Investors section of the Company's website.

The Company may, by ordinary resolution, declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends and any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

Share capital, control of the Company and significant shareholders and agreements

As at 31 December 2023, the Company had 1,393,273,527 ordinary shares of £0.01 each in issue, all fully paid up and listed on the London Stock Exchange. No shares were held in Treasury. There are no special control rights, restrictions on voting rights, restrictions on share transfers or limitations on the holding of any class of shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that might result in restrictions on voting rights.

Subject to applicable statutes, rights attached to any class of share may be varied with the written consent of the holders of at least three quarters in nominal value of the issued shares of that class, or by a special resolution passed at a separate general meeting of the shareholders. Subject to the provisions of the Companies Act 2006, any resolution passed by the Company under the Companies Act 2006 and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Prior to the demerger, Dowlais received shareholder approval to make market purchases of its own shares up to a maximum number representing 10% of its issued share capital, subject to customary limitations on the minimum price applicable to each purchase. During the year, the Company did not purchase any of its own shares. A resolution seeking shareholder authority for the purchase of the Company's shares will be put to shareholders at the AGM to be held in May 2024.

Following approval by shareholders at a general meeting of the Company on 28 February 2023 and formal approval by the High Court of Justice, and in accordance with section 645 of the Companies Act 2006, the Company cancelled the entire amount of the Company's share premium account on 1 August 2023. The purpose was to create distributable reserves. Further details can be found in the prospectus published by the Company on 3 March 2023.

On 21 March 2024, Dowlais announced its intention to commence a share buy-back programme of up to £50 million to be transacted over a period of 12 months commencing in April 2024. Further details of the proposed share buy-back can be found on page 23.

As at 31 December 2023 the persons listed in the table on page 123 had disclosed an interest in the issued ordinary share capital of the Company in accordance with the requirements of rules 5.1.2 or 5.1.5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs). The Company's major shareholders have the same voting rights as other shareholders. The Company does not know of any arrangements the operation of which may result in a change in its control.

Information provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website. As at 15 March 2024, the following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification; however, the date it was received may not have been within the current financial year. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Notifiable interests	Voting rights	% of capital disclosed	Nature of holding as per disclosure
The Capital Group Companies, Inc.	205,399,016	14.74%	Indirect holding
T. Rowe Price International Ltd	74,121,303	5.32%	Indirect holding
FIL Limited	69,978,321	5.02%	Indirect holding
Select Equity Group, L.P.	69,054,820	4.96%	Direct holding

Change of control

The Company's subsidiary, G.K.N. Industries Limited is party to a £450,000,000, \$1,060,000,000 and €550,000,000 Senior Term and Revolving Facilities Agreement, under which the majority of the Group's debt funding is advanced. This facility agreement provides that, on a change of control of the Company, the respective bank can give notice to G.K.N. Industries Limited to repay all outstanding amounts under the relevant facility. Companies in GKN Automotive and GKN Powder Metallurgy are party to supply contracts with customers, certain of which contain provisions which would entitle the customer to terminate the contract in the event of a change of control of the Company, or which provide for different rights or remedies on such a termination than would apply to a termination in other circumstances. All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time. There are no agreements providing for compensation for the Directors or employees of the Company on a change of control.

Board of Directors

The biographical details of the current serving Directors are set out on pages 82 and 83. Appointments during the year and up to the date of this report are set out below. Simon Peckham stepped down from the Board on 31 December 2023. There were no other departures during this period.

Name	Role	Effective date of appointment
Simon Mackenzie Smith	Chair	9 February 2023
Celia Baxter	Independent Non-Executive Director	20 February 2023
Philip Harrison	Independent Non-Executive Director	10 February 2023
Alexandra Innes	Independent Non-Executive Director	20 February 2023
Fiona MacAulay	Independent Non-Executive Director	20 February 2023
Shali Vasudeva	Independent Non-Executive Director	20 February 2023
Geoffrey Martin	Executive Director	13 January 2023
Simon Peckham	Executive Director	13 January 2023
Liam Butterworth	CEO	10 February 2023
Roberto Fioroni	CFO	10 February 2023

The interests of Directors who served during the year and their immediate families, in the shares of Dowlais, along with details of Executive Directors' conditional share awards, are contained in the Directors' Remuneration Report set out on page 120. Further information regarding employee share schemes is provided in Note 22 to the Financial Statements on page 168. The appointment and retirement of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code 2018, the Companies Act 2006 and other related legislation. Geoffrey Martin and Alexandra Innes have each informed the Board that they will not stand for election as a Director at the Company's forthcoming AGM and will therefore retire from office with effect from the conclusion of the meeting. In accordance with the Articles of Association of the Company, all other Directors will submit themselves for election at the Company's forthcoming AGM.

At no time during the year did any of the Directors have a material interest in any significant contract with the Company or any of its subsidiaries. A qualifying third-party indemnity provision, as defined in section 234 of the Companies Act 2006, is in force to the extent permitted by law for the benefit of each of the Directors in respect of liabilities incurred as a result of their office. The Company maintains a Directors' and Officers' liability insurance policy, and the cover in place is reviewed annually. Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2023 for the benefit of the Group's two UK pension scheme corporate trustees: GKN 2 Trustee 2018 Limited and GKN 3 Trustee 2018 Limited, and two legacy pension scheme corporate trustees: GKN Group Pension Trustee Limited and GKN Group Pension Trustee (No.2) Limited. All such indemnities and provisions remain in force at the date of this Annual Report.

The Directors may exercise all the powers of the Company, subject to the Articles of Association, legislation and regulation. This includes the ability, subject to shareholder approval at the Company's AGM each year, to exercise the authority to allot or purchase the Company's shares. Further details of the powers of the Directors can be found in the Articles of Association.

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Conflicts of interest

The Company has formal procedures in place for identifying and managing potential and actual conflicts of interest. All Directors are required to avoid situations in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Under the Articles and as permitted by the Companies Act, the Board may authorise any matter which would otherwise involve a Director breaching their statutory duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/or restrictions as the Board deems appropriate. Situations considered by the Board and authorisations given are recorded in the Board minutes and in a register of conflicts maintained by the Company Secretary and are reviewed annually by the Board. The Board believes that this system operates effectively.

Political donations

It is the Group's policy not to make political donations, as set out in our Anti-Bribery and Corruption Policy, and no political donations were made in the year.

Going concern, longer-term prospects and viability statement

An overview of the business activities of the Group, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 71 to 76. The scenarios considered and assessment made by the Directors with respect to the Company's viability are set out on page 78. The Directors have reviewed the Group's cash flow forecasts, financial position and exposure to the Principal Risks and have formed the view that the Group will generate sufficient cash to meet its ongoing requirements for at least 12 months from the date the Financial Statements have been authorised. The Directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the Group's Consolidated Financial Statements.

Modern Slavery Act

As required by section 54(1) of the Modern Slavery Act 2015, our Slavery and Human Trafficking Statement is reviewed and approved by the Board on an annual basis and published on our Group website. As Dowlais is in its first financial year, it is not required to make a statement for the financial year ended 31 December 2022, but has made a statement voluntarily on behalf of the Group. The Group adheres to high ethical standards and is committed to respecting fundamental human rights in its business operations and value chain. It is a requirement of the Group's Human Rights Policy that the Group takes steps to combat slavery and human trafficking in its businesses and supply chains. Further details can be found in our Slavery and Human Trafficking Statement and Anti-Slavery and Human Trafficking Policy on our website.

Anti-bribery and corruption

We have a zero-tolerance approach to bribery and corruption across the Group. It is Group policy to comply with all anti-bribery and corruption laws in the countries in which the Group operates or which otherwise apply to the Group, and to adopt procedures which robustly and visibly ensure compliance. Key controls include our Anti-Bribery and Corruption Policy and our Whistleblowing Policy; our due diligence procedures; our rigorous and regular training of colleagues on bribery risks; and our annual bribery and corruption risk assessments by each business unit.

Auditor

Resolutions to reappoint Deloitte LLP as auditor of the Company and to authorise the Audit Committee to determine its remuneration will be proposed at the 2024 AGM.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they each are aware, there is no relevant audit information (being information needed by the external auditor in connection with preparing their audit report) of which the Company's external auditor is unaware, and each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006.

AGM

The AGM of Dowlais Group plc will be held at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY, United Kingdom, on 21 May 2024 at 11am. Please see the Notice of Meeting, together with explanatory notes and guidance on how to access the meeting, for further information.

Branches outside of the UK

The Group has no branches outside of the United Kingdom.

Additional disclosures

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006 and Schedule 7, Part 1, Paragraph 1A of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' Report. Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

Events after the reporting period	page 180
Future developments	page 9, 17 and 34
Risk Management	pages 51 and 71
Research and development	pages 13, 17, 24, 26 to 30, 32 to 34, 38, 43, 46, 55, 62, 75 and 77
Financial instruments and financial risk management	pages 147 and 148
GHG emissions, energy consumption, and energy efficiency action	pages 44 to 46 and 59 to 61
Corporate governance report	pages 60 to 126
Workforce engagement	pages 39, 64 and 89
Employment policies	pages 63 to 65 and 70
Stakeholder engagement	pages 39 to 42
Related party transactions	pages 179 to 180 and 189

Disclosures required pursuant to the Listing Rules can be found on the following pages:

Listing rule	Information to be included	Disclosure
9.8.4 (1)	Interest capitalised by Group	Not applicable
9.8.4 (2)	Unaudited financial information (LR 9.2.18R)	Not applicable
9.8.4 (4)	Long-term incentive scheme information involving Board Directors (LR 9.4.3R)	Details can be found on pages 115 to 117 of the Directors' Remuneration Report.
9.8.4 (5)	Waiver of emoluments by a Director	Not applicable
9.8.4 (6)	Waiver of future emoluments by a Director	Not applicable
9.8.4 (7)	Non-pre-emptive issues of equity for cash	None
9.8.4 (8)	Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings.	None
9.8.4 (9)	Listed company is a subsidiary of another company	Not applicable
9.8.4 (10)	Contracts of significance involving a Director or a Controlling Shareholder	Not applicable
9.8.4 (11)	Contracts for the provision of services by a Controlling Shareholder	None
9.8.4 (12)	Shareholder waiver of dividends	The trustees of the Dowlais Group plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares in the Company which are its beneficial property. The trustees of a legacy Melrose Industries PLC Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares in the Company which are its beneficial property.
9.8.4 (13)	Shareholder waiver of future dividends	The trustees of the Dowlais Group plc Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property. The trustees of a legacy Melrose Industries PLC Employee Share Trust have a dividend waiver in place in respect of Ordinary Shares which are its beneficial property.
9.8.4 (14)	Agreement with Controlling Shareholder	Not applicable

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report (which together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R) together include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 20 March 2024 and is signed on its behalf by:

Chief Executive Officer
Liam Butterworth

20 March 2024

Chief Financial Officer
Roberto Fioroni

20 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DOWLAIS GROUP PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Dowlais Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Cash Flows;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the material accounting policy information and statement of accounting policies;
- notes 1 to 30 of the Consolidated Financial Statements; and
- notes 1 to 9 to the Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Impairment of assets including goodwill; – Classification of adjusting items; and – The recognition and disclosure of the Group's demerger accounting transactions.
Materiality	The materiality that we used for the Group financial statements was £20 million which was determined on the basis of 0.4% of revenue.
Scoping	We selected seven reporting units where we requested component auditors to perform a full scope audit of the components' financial information. We also requested component auditors to audit specified account balances and transactions ("SAB") at a further 16 reporting units. Centrally we performed full scope audit of two reporting units, including the parent company, and an SAB scope audit over 19 entities. Coverage from full scope and SAB scope components totals 77% of the Group's revenue, 81% of adjusted operating profit and 94% of net assets.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Directors' process for determining the appropriateness of the use of the going concern basis;
- evaluating the Group's existing access to sources of financing, including undrawn committed bank facilities;
- comparing sales and gross margin forecasts to recent historical financial information, the latest economic forecasts, the latest customer order book, and our understanding of management's discussions with key customers;
- testing the underlying data generated to prepare the forecast scenarios and to determine whether there was adequate support for the assumptions underlying the forecast, including consideration of uncertainty driven by ongoing global macroeconomic volatility;
- testing the mechanical and logical accuracy of management's calculations in the forecast; and
- evaluating the Group's disclosures on going concern in accordance with the requirements of IAS 1 Presentation of Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of assets including goodwill

Key audit matter description	Goodwill of £1.1 billion (2022: £1.6 billion) and other intangible assets of £1.3 billion (2022: £1.5 billion) were recorded on the balance sheet at 31 December 2023. As required by IAS 36 Impairment of assets ("IAS 36") management performs an impairment review for all goodwill balances on an annual basis and for other assets whenever an indication of impairment is identified. This review identified the following Groups of Cash Generating Units ("CGUs"): - Automotive (goodwill £1.0 billion, other acquired intangible assets £0.7 billion); and - Powder Metallurgy (goodwill £79 million after a recorded impairment of £449 million, other acquired intangible assets £0.6 billion).
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Impairment of assets including goodwill has been identified as a key audit matter as a result of the quantitative significance of the balances, and the application of management judgement and estimation in performing impairment reviews, specifically with respect to:

- the estimation of forecast future cash flows, specifically revenue and operating margin assumptions; and
- the determination of the appropriate discount and growth rates to be used in the model.

There is judgement involved in preparing forecast future cash flows due to uncertainty surrounding the effect of vehicle electrification on the automotive industry.

The Group's impairment review was based on a comparison of the carrying value and recoverable value, determined using a value-in-use methodology. Based on this, the Group has recorded an impairment of £449 million against the goodwill balance in the Powder Metallurgy Group of CGUs.

For the Automotive Group of CGUs, management's value in use assessment demonstrated headroom above carrying value of £449 million.

Further details are included in note 12 to the Group financial statements in relation to the sensitivities reflecting the risks inherent in the valuation of goodwill and other non-current assets, and also in notes 2 and 3 to the Group financial statements in relation to the key sources of estimation uncertainty for these businesses. Refer also to page 93 of the Audit Committee report.

5.1. Impairment of assets including goodwill continued

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the valuation of goodwill and other intangible assets, in particular controls over the forecasts that underpin the value in use models and controls around management's preparation of impairment models.

We assessed management's impairment paper, underlying analysis and supporting financial models, and challenged the reasonableness of the assumptions that underpin management's forecasts. Specifically, our work included:

- assessing the methodology selected by management to estimate recoverable amount (value in use) against the requirements of IAS 36;
- performing sensitivity analysis to identify the key assumptions that have a significant effect on the value-in-use determined for the CGUs;
- challenging management's assumptions within the impairment models, particularly forecast revenue growth rates, operating profit margin, discount rates and long-term growth rates, through engaging with internal specialists on the automotive industry including the impact of electrification, and comparing to external industry data and analyst reports;
- benchmarking long term growth rates to applicable macro-economic and market data;
- involving our internal valuation specialists to challenge the discount rate applied; this was done by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations, and by evaluating the underlying process used to determine the risk adjusted cash flow projections;
- evaluating the integrity of the impairment models through testing of the mathematical accuracy, checking the application of the input assumptions and testing their compliance with IAS 36; and
- assessing the appropriateness of the disclosures included by management in notes 3 and 12 to the Group financial statements and re-performing the calculations that underpin those disclosures.

Key observations

We determined that the assumptions applied in the impairment model were within an acceptable range, that the overall position adopted was reasonable and that the disclosures in notes 3 and 12 in respect of reasonably possible changes to key assumptions are appropriate.

5.2. Classification of adjusting items

Key audit matter description

In addition to the statutory results, the Group continues to present adjusted profit measures which are before the impact of adjusting items. Judgements made by management regarding the classification of adjusting costs and income therefore have a significant impact on the presentation of the Group's results. As set out in note 6 to the Group financial statements, adjustments of £805 million (2022: £275 million) have been made to the statutory operating loss of £450 million (2022: £58 million operating profit) to derive an adjusted operating profit of £355 million (2022: £333 million).

We identified a key audit matter in respect of the classification of items recorded as adjusting, including consideration of the use of use of 'non-GAAP' or 'Alternative Performance' measures in the context of ESMA's Guidelines on Alternative Performance Measures.

While the key measure used by management to monitor performance is adjusted operating profit, adjusted profit before tax is also a key measure used in communication with shareholders. There is a risk that costs or income may be classified as adjusting which are trading or recurring items, and therefore distort the reported adjusted profit, whether due to manipulation or error. Consistency in the identification and presentation of the adjusted costs or income is important for the comparability of year-on-year reporting.

Explanations of each adjustment are set out in note 6 to the Group financial statements, and also in note 3 to the Group financial statements in relation to the critical judgements involved in determining adjusting items. Refer also to page 93 of the Audit Committee report.

5.2. Classification of adjusting items continued

How the scope of our audit responded to the key audit matter We obtained an understanding of the relevant internal controls over the classification of adjusting items in the financial statements.

We evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted results. Our work included:

- assessing the consistency of items included year on year, the content and application of management's accounting policy, challenging the nature of these items in comparison to ESMA guidance and FRC guidance, and challenging in particular the inclusion of those items that recur annually;
- testing a sample of adjusting items by agreeing to source documentation and evaluating their nature in order to assess whether they are disclosed in accordance with the Group's accounting policy, and also to assess consistency of adjusting items between periods in the Group financial statements;
- focussing our challenge on certain categories within adjusting items where we assessed that increased level of judgement had been applied by management, and there was increased risk for fraud or error. This included additional testing of restructuring costs;
- agreeing the amounts recorded through to underlying financial records and other supporting evidence to test that the amounts disclosed were complete and accurate;
- for restructuring costs, assessing whether the recognised costs meet the recognition criteria set out in IAS 37 Provisions; and
- assessing whether the disclosures within note 6 to the Group financial statements provide sufficient detail for the reader to understand the nature of these items and how adjusted results reconcile to statutory results.

Key observations Whilst we note that the majority of adjusting items recur from period to period, their classification is consistent with the Group's policy.

5.3. The recognition and disclosure of the Group's demerger accounting transactions

Key audit matter description The demerger of the Group from Melrose Industries PLC was completed on 20 April 2023 after a series of share for share exchanges with its previous shareholders.

The share exchanges did not constitute business combinations and fell outside the scope of IFRS 3 Business Combinations and as such, the Group accounted for the corporate restructuring following "demerger accounting" (refer to note 2 to the Group financial statements). Accordingly, the Group continued to present its assets and liabilities at book value on the date of the transaction with no adjustments required to estimate fair value. The results of the Group have been presented for a continuous period to include both pre- and post-demerger trading with comparatives included for prior periods as though the new structure has always been in place. In addition, earnings per share in the comparative period is presented on the basis of the demerged Group share structure.

Further detail is set out in note 2 to the Consolidated Financial Statements.

We identified demerger accounting as a key audit matter due to the significance and pervasiveness of the transactions to the financial statements of the Group in its first-year post demerger, resulting in the allocation of a significant portion of audit resources to assess this matter.

How the scope of our audit responded to the key audit matter Together with our accounting specialists we assessed the appropriateness of the demerger accounting as part of our audit procedures. This included consideration of:

- the appropriateness of the demerger accounting approach applied by management;
- the measurement of the assets and liabilities recognised within the Group at the point of demerger;
- the effects on reserves movements in equity; and
- the initial recognition and subsequent measurement of the derivative asset over own equity.

We tested the restated earnings per share to reflect the revised equity of the Group.

Key observations We concluded that the demerger accounting has been appropriately applied for Dowlais Group plc.

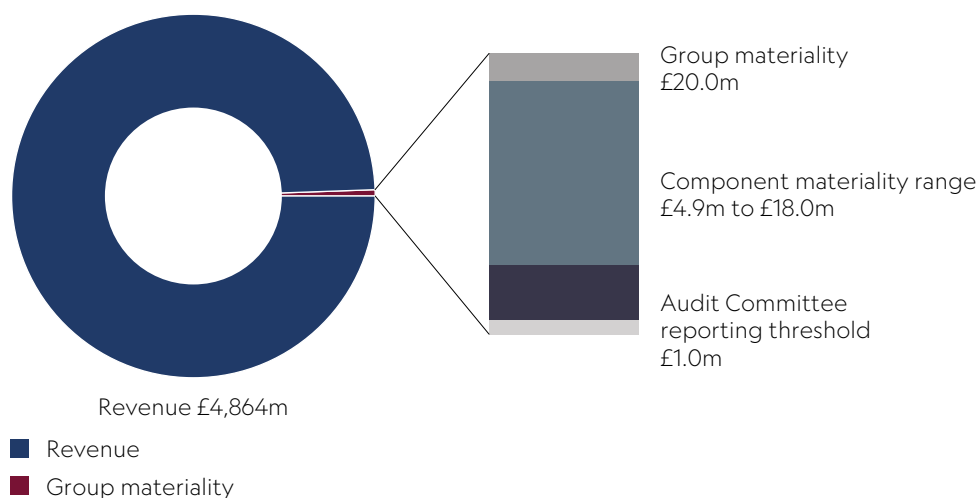
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£20 million	£14 million
Basis for determining materiality	We have determined materiality on the basis of 0.4% of Group revenue.	We determined materiality based on net assets, which was then capped at 70% of Group materiality in order to address the risk of aggregation when combined with other reporting units.
Rationale for the benchmark applied	We consider Group revenue to be the most appropriate measure to reflect the focus of users of the financial statements.	The parent company is primarily an investment holding company and net assets is considered the most appropriate benchmark.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of Group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – the assessment of the complexity of the Group and nature of the Group's business model; – the de-centralised nature of the Group's control environment and its variation across the Group; and – our past experience of the audit of the subsidiaries of the Group, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

In order to determine the scoping of components we considered the structure of the Group how it is organised, and assessed the audit risks.

There are three operating segments in the continuing operations of the Group – Automotive, Powder Metallurgy and Hydrogen. Each operating segment consists of a number of reporting units and manages operations on a geographical and functional basis, maintaining their own accounting records and controls and using an integrated consolidation system to report to the UK head office. Our risk assessment considered the structure of each operating segment, including group-wide and segment-wide controls, and taking into account the scope of the operations of the shared service centre in the Automotive division.

In addition to the operating segments above, the Group has a number of central cost centres which report to the Board and include head office companies for corporate functions and costs.

We identified financially significant components on the basis of their relative contribution to Group revenue, adjusted operating profit before tax and net assets. This resulted in our selecting 7 reporting units where we requested component auditors to perform a full scope audit of the components' financial information – China, Poland, Mexico, as well as two units in the USA and two units in Italy.

Additionally, our audit planning identified an additional 16 non-financially significant reporting units where we consider there to be a reasonable possibility of material misstatement in specific balances within the financial statements. Accordingly we directed component auditors to audit specified account balances and transactions ("SAB") at further units in Sweden, Spain, Hungary, Japan, Thailand, Brazil, Germany, the USA and Italy. The precise list of non-financial significant components varies each year as we rotate certain components in and out of Group audit scope.

For entities in the Automotive segment where some transactions are recorded through the shared service centre, we instructed a separate component team in Portugal, where the shared services centre is located, to audit those balances that are in scope for the audit.

Centrally we performed full scope audit of two reporting units, including the parent company, and performed audit procedures over specified balances (primarily over cash and cash equivalents, tax, deferred tax and adjusting items) within a further 19 entities. We also audited the consolidation process and performed audit procedures on centrally managed balances including treasury, post-employment benefit obligations, litigation and claims, goodwill, tax and head office costs.

Residual balances

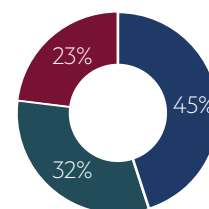
All entities not subject to the audit procedures above were subject to centrally directed analytical procedures by the Group engagement team, to confirm our conclusion that there was no significant risk of material misstatement in the residual population.

Each component was set a specific component materiality, considering its relative size and any component-specific risk factors such as internal audit findings and history of error. The component materialities applied were in the range £4.9 million to £18.0 million.

Coverage

Coverage from full scope and SAB scope components totals 77% of the Group's revenue, 81% of adjusted operating profit and 94% of net assets.

Revenue

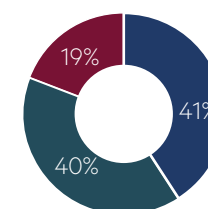


■ Full audit scope

■ Specified audit procedures

■ Review at group level

Adjusted operating profit

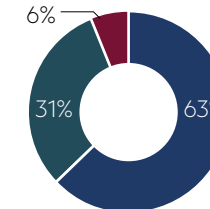


■ Full audit scope

■ Specified audit procedures

■ Review at group level

Net assets



■ Full audit scope

■ Specified audit procedures

■ Review at group level

7.2. Our consideration of the control environment

The Group has a tiered management structure that includes head-office and divisional management functions providing support to and oversight of the operational component-level finance teams. The Automotive division operates a shared service centre, and for a number of components, certain key finance functions are performed by the shared service centre.

The Group operates a diverse IT infrastructure globally, and is reliant on the effectiveness of a number of IT applications and controls, with varying levels of maturity, to ensure that financial transactions are processed and recorded completely and accurately. Given this level of maturity our planned approach was to test a limited number of controls for the purposes of our work.

With the involvement of IT audit specialists in the UK and in the relevant countries, we obtained an understanding of the relevant IT environment including in some instances performing general IT control ("GITC") testing, on which we were able to place reliance. The diverse infrastructure led us to our audit strategy of performing a mostly substantive audit.

For all in-scope components we obtained an understanding of the relevant controls associated with the financial reporting process, areas of significant risk, and in relation to significant accounting estimates. Where applicable we relied on certain controls we tested relating to revenue, trade receivables and inventory where relevant. Also refer to pages 95 and 96 of the Audit Committee report.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change which is currently premised upon an analysis of physical and transition risks over a short, medium and long-term horizon as explained in the Strategic Report on pages 51 to 57.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with the head of sustainability and finance management to understand the process of identifying climate related risks, the determination of mitigating actions and the impact on the Group's financial statements.

The key areas in the Consolidated Financial Statements considered were

- going concern and viability of the Group over the next three years;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill and other intangible assets; and
- carrying value and useful economic lives of property, plant and equipment.

Management concluded there was no material impact arising from climate change on the judgements and estimates made in the financial statements as explained in note 2 and 12.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.

With the involvement of climate change and sustainability specialists, we evaluated management's risk assessment process in respect of the potential impact of climate change in judgements and estimates relevant to the Consolidated Financial Statements and evaluated the appropriateness of management's Task Force on Climate-Related Financial Disclosures. We also read the climate-related disclosures in the Strategic Report to consider whether it is materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

In 2023 we visited sites in the USA, China, Italy and Hungary as well as the shared service centre in Portugal. We also had regular communication with component audit teams and component management teams using conference and video calls, with a particular focus on locations where work was performed which impacted our significant audit risks.

In addition to the above, the Group audit partners (including the senior statutory auditor) held Group-wide, divisional and individual planning and close meetings which covered all businesses. Each division has a dedicated senior member of the Group audit team responsible for the supervision and direction of components, including where appropriate sector-specific expertise.

We included the component audit teams in our Group audit team briefing, discussed and reviewed their risk assessment, and reviewed documentation of the findings from their work. We also reviewed the audit work papers supporting component teams' reporting to us using remote shared desktop technology and on-site visits where needed.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, legal counsel, operational staff, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, financial instruments, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas impairment of assets including goodwill and the classification of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the environmental regulations in the jurisdictions the Group operates in.

11.2. Audit response to risks identified

As a result of performing the above, we identified impairment of assets including goodwill and the classification of adjusting items as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 124;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 78;
- the directors' statement on fair, balanced and understandable set out on page 126;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 72;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 95 and 96; and
- the section describing the work of the audit committee set out on page 92 and 93.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

The company was incorporated on 13 January 2023. Following the recommendation of the audit committee, we were appointed by the Board of Directors in 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.

We were appointed in 2016 for other Group entities, which were then part of the group headed by GKN plc, to audit the Financial Statements for the year ended 31 December 2016, and continued in our appointment throughout the period they were part of this group, and subsequently when they were part of the group headed by Melrose Industries PLC. The period of total uninterrupted engagement is therefore 8 years, covering the years ending 31 December 2016 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Edward Hanson (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

20 March 2024

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 ⁽¹⁾ £m
Revenue	4, 5	4,864	4,595
Cost of sales		(4,107)	(3,937)
Gross profit		757	658
Share of results of equity accounted investments	14	51	49
Operating expenses	7	(809)	(649)
Impairment of goodwill	12	(449)	-
Operating (loss)/profit	5, 6	(450)	58
Finance costs	8	(101)	(272)
Finance income	8	29	151
Loss before tax		(522)	(63)
Tax	9	27	(14)
Loss after tax for the year		(495)	(77)
Attributable to:			
Owners of the parent		(501)	(82)
Non-controlling interests		6	5
		(495)	(77)
Earnings per share			
– Basic	11	(36.0)p	(5.9)p
– Diluted	11	(36.0)p	(5.9)p

Adjusted⁽²⁾ results

Adjusted revenue	5	5,489	5,246
Adjusted operating profit	5, 6	355	333
Adjusted profit before tax	6	264	297
Adjusted profit after tax	6	198	218
Adjusted basic earnings per share	11	13.8p	15.3p
Adjusted diluted earnings per share	11	13.8p	15.3p

1. Historical Financial Information including the year ended 31 December 2022 was issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See Note 1.2 for further information.

2. Defined in the summary of material accounting policies (Note 2).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 ⁽¹⁾ £m
Loss after tax for the year		(495)	(77)
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement (loss)/gain on retirement benefit obligations	23	(22)	72
Income tax credit/(charge) relating to items that will not be reclassified	9	4	(27)
		(18)	45
Items that may be reclassified subsequently to the Income Statement:			
Currency translation		(152)	272
Impact of hyperinflationary economies		8	28
Share of other comprehensive (expense)/income from equity accounted investments	14	(32)	12
Derivative and exchange gains on hedge relationships	24	21	-
Income tax credit/(charge) relating to items that may be reclassified	9	4	(12)
		(151)	300
Other comprehensive (expense)/income for the year		(169)	345
Total comprehensive (expense)/income for the year		(664)	268
Attributable to:			
Owners of the parent		(668)	262
Non-controlling interests		4	6
		(664)	268

1. Historical Financial Information including the year ended 31 December 2022 was issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See Note 1.2 for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 ⁽¹⁾ £m
Net cash from operating activities	26	239	210
Investing activities			
Purchase of property, plant and equipment		(279)	(202)
Proceeds from disposal of property, plant and equipment		33	23
Purchase of computer software and capitalised development costs		(16)	(20)
Dividends received from equity accounted investments	14	63	59
Interest received		5	3
Net cash used in investing activities		(194)	(137)
Financing activities			
Cash settlements with Related Parties ⁽²⁾		(1,096)	(78)
Drawings on borrowings facilities		1,313	-
Repayment of borrowing facilities		(124)	-
Costs of raising debt finance		(12)	-
Repayment of principal under lease obligations	27	(25)	(22)
Purchase of own shares	25	(7)	-
Dividends paid to non-controlling interests		(7)	-
Dividends paid to equity shareholders	10	(19)	-
Net cash from/(used in) financing activities		23	(100)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		68	(27)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year	26	263	275
Effect of foreign exchange rate changes	26	(18)	15
Cash and cash equivalents, net of bank overdrafts at the end of the year	26	313	263

1. Historical Financial Information including the year ended 31 December 2022 was issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See Note 1.2 for further information.

2. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on the 20 April 2023 and other non-group entities controlled by Melrose Industries PLC. Further details are provided in Note 26.

As at 31 December 2023, the Group had net debt of £847 million (31 December 2022: net funds of £920 million). A definition and reconciliation of the movement in net debt is shown in Note 26.

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2023 £m	31 December 2022 ⁽¹⁾ £m
Non-current assets			
Goodwill and other intangible assets	12	2,365	3,095
Property, plant and equipment	13	1,751	1,821
Interests in equity accounted investments	14	380	424
Loans receivable from Related Parties ⁽²⁾	28	-	2,826
Deferred tax assets	21	146	99
Derivative financial assets	24	8	9
Other financial assets	24	28	-
Retirement benefit surplus	23	27	42
Other receivables	16	12	21
		4,717	8,337
Current assets			
Inventories	15	510	498
Trade and other receivables	16	628	638
Derivative financial assets	24	45	24
Current tax assets		21	20
Cash and cash equivalents	17	313	270
		1,517	1,450
Total assets	5	6,234	9,787
Current liabilities			
Trade and other payables	18	1,179	1,188
Interest-bearing loans and borrowings	19	2	-
Loans payable to Related Parties ⁽²⁾	28	-	2,176
Lease obligations	27	25	25
Derivative financial liabilities	24	4	10
Current tax liabilities		100	109
Provisions	20	136	140
		1,446	3,648
Net current assets/(liabilities)		71	(2,198)

	Notes	31 December 2023 £m	31 December 2022 ⁽¹⁾ £m
Non-current liabilities			
Other payables	18	18	28
Interest-bearing loans and borrowings	19	1,158	-
Lease obligations	27	126	134
Derivative financial liabilities	24	4	2
Deferred tax liabilities	21	248	293
Retirement benefit obligations	23	486	503
Provisions	20	182	186
		2,222	1,146
Total liabilities	5	3,668	4,794
Net assets		2,566	4,993
Equity			
Issued share capital	25	14	-
Share premium account	25	-	-
Own shares	25	(7)	-
Translation reserve	25	(81)	69
Hedging reserve	25	1	-
Retained earnings		2,603	4,885
Equity attributable to owners of the parent		2,530	4,954
Non-controlling interests		36	39
Total equity		2,566	4,993

1. Historical Financial Information including the year ended 31 December 2022 was issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See Note 1.2 for further information.
2. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

The Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 20 March 2024 and were signed on its behalf by:

Roberto Fioroni

Chief Financial Officer

20 March 2024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Own shares £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2022	-	-	-	(230)	-	5,032	4,802	33	4,835
Loss for the year	-	-	-	-	-	(82)	(82)	5	(77)
Other comprehensive income	-	-	-	299	-	45	344	1	345
Total comprehensive income/(expense)	-	-	-	299	-	(37)	262	6	268
Transactions with Related Parties ⁽¹⁾	-	-	-	-	-	(110)	(110)	-	(110)
At 31 December 2022 ⁽²⁾	-	-	-	69	-	4,885	4,954	39	4,993
Loss for the year	-	-	-	-	-	(501)	(501)	6	(495)
Other comprehensive (expense)/income	-	-	-	(150)	1	(18)	(167)	(2)	(169)
Total comprehensive (expense)/income	-	-	-	(150)	1	(519)	(668)	4	(664)
Dividends paid to Related Parties ⁽¹⁾	-	-	-	-	-	(1,675)	(1,675)	-	(1,675)
Transactions with Related Parties ⁽¹⁾	-	-	-	-	-	(57)	(57)	-	(57)
Effect of change of ultimate holding company ⁽³⁾	14	1,070	-	-	-	(1,084)	-	-	-
Purchase of own shares by Employee Benefit Trust ⁽⁴⁾	-	-	(7)	-	-	-	(7)	-	(7)
Capital reduction	-	(1,070)	-	-	-	1,070	-	-	-
Dividends paid to equity shareholders	-	-	-	-	-	(19)	(19)	(7)	(26)
Equity-settled share-based payments	-	-	-	-	-	2	2	-	2
At 31 December 2023	14	-	(7)	(81)	1	2,603	2,530	36	2,566

1. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

2. Historical Financial Information including the year ended 31 December 2022 was issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange. See Note 1.2 for further information.

3. Following the demerger, the issued share capital and share premium account of Dowlais Group plc were recognised in the Consolidated Financial Statements. See Note 2 for details of application of merger accounting.

4. On 31 May 2023 an Employee Benefit Trust (EBT) established for the benefit of certain employees of the Group purchased shares in the capital of the Company to be held for the purpose of settling awards vesting under the Group's share incentive scheme.

Further information on issued share capital and reserves is set out in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Dowlais Group plc comprises the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, together referred to as the “Group”. GKN Automotive is a global technology and systems engineer which designs, develops, manufactures and integrates an extensive range of driveline technologies, including electric vehicle components. GKN Powder Metallurgy is a global leader in precision powder metal parts for the automotive and industrial sectors, as well as the production of powder metal. GKN Hydrogen, launched in 2021, offers reliable and secure hydrogen storage solutions.

1.1 Corporate structure

Dowlais Group plc was incorporated as a public company limited by shares in the United Kingdom on 13 January 2023 under the Companies Act 2006 and is registered in England & Wales. On 28 February 2023, Melrose Industries PLC (“Melrose”) transferred the entire shareholding of G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited to Dowlais Group plc such that all the entities within the Group became owned directly or indirectly by Dowlais Group plc.

On 20 April 2023, Melrose made a distribution to its shareholders of Dowlais Group plc shares with one Dowlais share issued for every Melrose share held. On the same day, Dowlais Group plc shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trading on the London Stock Exchange’s main market for listed securities.

Prior to 20 April 2023, the ultimate parent company and controlling party of the Group was Melrose Industries PLC, a public company limited by shares and incorporated in England & Wales.

Subsidiaries of Melrose Industries PLC prior to the date of the demerger which do not form part of the Dowlais Group are considered non-group entities. Melrose Industries PLC and other non-group entities controlled by Melrose Industries PLC are Related Parties of the Group up to the date of the demerger on 20 April 2023.

1.2 Basis of Preparation

The comparative information and results up to 28 February 2023 in this set of accounts show an aggregation of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses along with certain Corporate functions, which form the operating segments of the Group. The aggregation has been prepared as though the current legal structure of the Group was in place at the beginning of the comparative period under the principles of merger accounting (see Note 2).

The information for the year ended 31 December 2022 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but has been extracted from the Historical Financial Information of Dowlais Group plc included in the prospectus in relation to the admission of the Dowlais Group plc ordinary shares to the London Stock Exchange, which is available on the Group’s website at www.dowlais.com. The auditor has reported on those accounts. Their report was unqualified, and did not draw attention to any matters by way of emphasis. The information for the year ended 31 December 2022 was prepared under the basis of preparation in Note 1.1 to the Historical Financial Information in that document and the accounting policies therein except in relation to the application of IAS 29 Financial Reporting in Hyperinflationary Economies as set out in Note 1.3.

1.3 IAS 29 Financial Reporting in Hyperinflationary Economies

The December 2022 results reflect the application of IAS 29 Financial Reporting in Hyperinflationary Economies. During 2022 Turkey became hyperinflationary. IAS 29 requires affected entities to present their financial statements reflecting the general purchasing power of the relevant functional currency in terms of the measuring unit current at the end of the reporting period. Following a detailed assessment performed during the year, the December 2022 financial statements of the Group’s operations in Turkey, which are based on a historical cost approach, were adjusted to reflect the level of the Turkey Domestic Producer Price Index (D-PPI) which was 2,026 as at the end of the year. As a result, goodwill and other intangibles assets were increased by £20 million, property, plant and equipment were increased by £8 million and a total of £28 million was recognised in other comprehensive income as a credit to translation reserves. The impact of applying IAS 29 in the current year was to increase goodwill and other intangibles by £5 million and property, plant and equipment by £3 million, with a credit of £8 million recognised in other comprehensive income. These adjustments reflected the change in the D-PPI to 2,915 as at 31 December 2023.

1.4 New Standards, Amendments and Interpretations affecting amounts, presentation or disclosure reported in the current year

The following amendments to IFRS Accounting Standards have been applied for the first time by the Group. Their adoption has not had any material impact on the disclosures or on the required amounts reported in these Consolidated Financial Statements:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

1.5 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and United Kingdom adopted international accounting standards. The Consolidated Financial Statements are presented in pounds Sterling and, unless stated otherwise, rounded to the nearest million. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments).

Material accounting policies applied in preparing the Consolidated Financial Statements and Alternative Performance Measures are consistent with those detailed in the carve out Historical Financial Information issued in the Dowlais Group plc prospectus prior to listing on the London Stock Exchange, except for the application of IAS 29 Financial reporting in hyperinflationary economies and a change in accounting policy with respect to alternative performance measures as set out below.

During the year, the Board of Directors approved a change in the accounting policy with respect to alternative performance measures. Net releases of fair value provisions other than loss-making contracts recorded upon acquisitions are no longer included within adjusting items, as the Directors consider that the nature of such provisions is operational and therefore the new presentation provides reliable and more relevant financial information.

Merger accounting

As set out in Note 1.1 above, the Group was separated from Melrose during the current year. The demerger took place while the business was under Melrose ownership and therefore the Directors assessed that the transaction was under common control and outside of the scope of IFRS 3 Business Combinations.

IFRS is not prescriptive as to the accounting for such transactions, and under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Directors used guidance in UK GAAP (FRS 102) to apply merger accounting. The effects of this accounting on the Consolidated Financial Statements for the year were as follows:

- The value of the assets and liabilities of the business were transferred to Dowlais at book value on the date of the transaction with no adjustments required to estimate fair value.
- The results of the Group have been presented for a continuous period to include both pre- and post-demerge trading with comparatives included for prior periods as though the new structure has always been in place.
- As set out in the basis of preparation for the comparative, prior year reserves are therefore presented as a translation reserve and a single remaining balance of shareholders' funds.
- The comparative for Earnings Per Share has been calculated as if the current share structure has always existed in accordance with IAS 33.26.
- Costs relating to the demerger are charged to the Income Statement.

Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"). APMs used by the Group are set out in the Alternative Performance Measures section on pages 190 to 194 and the reconciling items between statutory and adjusted results are listed below and described in more detail in Note 6.

Adjusted revenue includes the Group's share of revenue from equity accounted investments ("EAls").

Adjusted profit measures exclude items which are significant in size or volatility or by nature are non-trading or non-recurring, and include adjusted profit from EAls.

On this basis, the following are the principal items included within adjusting items impacting operating profit:

- Amortisation of intangible assets that are acquired in a business combination, excluding computer software and development costs;
- Significant restructuring project costs and other associated costs, including losses incurred following the announcement of closure for identified businesses and pre-operational losses for new operating sites, arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Acquisition and disposal related gains and losses;
- Costs relating to or resulting from the demerger of the Group from Melrose Industries PLC;
- Impairment charges that are considered to be significant in nature and/or value to the trading performance of the business;
- Movement in derivative financial instruments not designated in hedging relationships, including revaluation of associated financial assets and liabilities;
- Removal of adjusting items, interest and tax on equity accounted investments to reflect operating results; and
- The net release of loss-making contract provision fair value items booked on acquisitions.

Further to the adjusting items above, adjusting items impacting profit before tax include:

- The fair value changes on cross-currency swaps, relating to cost of hedging which are not deferred in equity;
- The movement in loans with Related Parties as a result of changes in foreign currency exchange rates; and
- The fair value changes on remeasurement of non-trading financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Alternative performance measures continued

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- The net effect of significant new tax legislation; and
- The tax effects of adjustments to profit before tax, described above.

The policy above is consistent with that used in the comparative year, with the exception of the release of fair value items, which from 2023 are restricted to loss-making contract provisions, as the Directors believe this better represents the operational nature of such items. The effect of this change is a credit to adjusted operating profit of £24 million in the current year and was immaterial in 2022.

The Board considers the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

The adjusted measures are used to partly determine the variable element of remuneration of senior management throughout the Group and are also in alignment with performance measures used by certain external stakeholders.

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative years where provided.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for a period of not less than 12 months from the date of this report. The Group's liquidity and funding arrangements are described in the Financial Review on page 22. There is significant financing headroom at 31 December 2023 (c. £0.6 billion) and throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The current facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half yearly, in June and December following commencement in December 2023 and June 2024 respectively.

The financial covenants for the going concern period are as follows:

	31 December 2023	30 June 2024	31 December 2024
Net debt to adjusted EBITDA	3.50x	3.50x	3.50x
Interest cover	n/a	4.00x	4.00x

Testing

In concluding that the going concern basis is appropriate, the Directors have modelled the impact of a 'worst case scenario' to the 'base case' by including an aggregation of the same three plausible but severe downside risks also used for the Group's Viability Statement.

The base case takes into account the estimated impact of end market and operational factors, including supply chain and inflationary challenges throughout the going concern period. Climate related risks have also been considered, including estimating the expected transition from internal combustion engines to electric vehicles and considering potential risks to the Group's infrastructure resulting from extreme weather or climate events.

As set out in more detail in the Viability Statement (on page 78), the three downside scenarios modelled were (i) economic shock/downturn, (ii) losing a key market, product or customer and (iii) significant contract delivery issues, including a cyber attack scenario.

Throughout the period covered, financing headroom was at least £400 million and the Group's leverage was no higher than 2.8x, indicating that the Group would comfortably remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in revenue and operating profit in 2024, still assuming no mitigating actions, would be required before the Group breached its leverage and interest covenants.

Even after applying significant downside risk scenarios in aggregation, no covenant is forecast to be breached at the relevant testing dates being 30 June 2024 and 31 December 2024, and the Group would not expect to require any additional sources of finance. Testing at 30 June 2025 is also expected to be favourable under the terms of existing facilities.

Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 51 to 57. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the Group over the next three years;
- cash flow forecasts used in the impairment assessments of non-current assets including goodwill and other intangible assets; and
- the carrying value and useful economic lives of property, plant and equipment.

Whilst there is currently no medium-term impact expected from climate change, the Directors are aware of the ever-changing risks that may result from climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is measured at the fair value of assets transferred, the liabilities incurred or assumed at the date of exchange of control and equity instruments issued by the Group in exchange for control of the acquiree. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Costs directly attributable to business combinations are recognised as an expense in the Income Statement as incurred.

The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition except those where specific guidance is provided by IFRS. Non-current assets and directly attributable liabilities that are classified as held for sale in accordance with IFRS 5 Non-current assets held for sale and discontinued operations, are recognised and measured at fair value less costs to sell. Also, deferred tax assets and liabilities are recognised and measured in accordance with IAS 12 Income taxes, liabilities and assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 (revised) Employee benefits and liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payments awards are measured in accordance with IFRS 2 Share-based payment.

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts where appropriate. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill on acquisition is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

As at the acquisition date, any goodwill acquired is allocated to the cash-generating units acquired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement and is not subsequently reversed. When there is a disposal of a cash-generating unit, goodwill relating to the operation disposed of is taken into account in determining the gain or loss on disposal of that operation. The amount of goodwill allocated to a partial disposal is measured on the basis of the relative values of the operation disposed of and the operation retained.

Equity accounted investments

A joint venture is an entity which is not a subsidiary undertaking but where the interest of the Group is that of a partner in a business over which the Group exercises joint control with its partners over the financial and operating policies. In all cases voting rights are 50% or lower.

Associated undertakings are entities that are neither a subsidiary nor a joint venture, but where the Group has a significant influence.

The results, assets and liabilities of equity accounted investments are accounted for by applying the equity method of accounting. The Group's share of equity includes goodwill arising on acquisition.

When a Group entity transacts with an equity accounted investment of the Group, profits and losses resulting from the transactions with the equity accounted investments are recognised in the Income Statement only to the extent of interests in equity accounted investments that are not related to the Group.

Revenue

Revenues are recognised at the point of transfer of control of goods, as the Group does not currently generate any revenue that qualifies to be recognised over time.

The nature of agreements into which the Group enters means that certain of the Group's arrangements with its customers have multiple elements that can include a combination of:

- Sale of products; and
- Design and build.

Contracts are reviewed to identify each performance obligation relating to distinct goods and the associated consideration. The Group allocates revenue to multiple element arrangements based on the identified performance obligations within the contracts in line with the policies below. A performance obligation is identified if the customer can benefit from the goods on their own or together with other readily available resources, and it can be separately identified within the contract. This review is performed by reference to the specific contract terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Sale of products

This revenue stream accounts for the majority of Group sales.

Invoices for goods are raised and revenue is recognised when control of the goods is transferred to the customer. Dependent upon contractual terms this may be at the point of despatch or acceptance by the customer. Revenue recognised is the transaction price as it is the observable selling price per product.

Cash discounts, volume rebates and other customer incentive programmes are based on certain percentages agreed with the Group's customers, which are typically earned by the customer over an annual period. These are allocated to performance obligations and are recorded as a reduction in revenue at the point of sale based on the estimated future outcome. Due to the nature of these arrangements an estimate is made based on historical results to date, estimated future results across the contract period and the contractual provisions of the customer agreement.

Many businesses in the Automotive and Powder Metallurgy segments recognise an element of revenue via a surcharge or similar raw material cost recovery mechanism. The surcharge is generally based on prior period movement in raw material price indices applied to current period deliveries.

Participation fees are payments made to original equipment manufacturers relating to long-term agreements. They are recognised as contract assets to the extent that they can be recovered from future sales over the programme life, generally up to seven years.

Design and build

This revenue stream affects a discrete number of businesses in the Automotive segment. Generally, revenue is only recognised on the sale of product as detailed above, however, on occasions cash is received in advance of work performed to compensate the Group for costs incurred in design and development activities. The Group performs an assessment of its performance obligations to understand multiple elements. As there is generally only one performance obligation, any cash received in advance is deferred on the Balance Sheet and allocated across the deliveries required under the contract.

Finance costs

Issue costs of loans

The finance cost recognised in the Income Statement in respect of the issue costs of borrowings is allocated to periods over the terms of the instrument using the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred and accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bring the asset into operation, and any material borrowing costs on qualifying assets. Qualifying assets are defined as an asset or programme where the period of capitalisation is more than 12 months. Purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Where assets are in the course of construction at the balance sheet date, they are classified as capital work-in-progress and presented within Plant and equipment. Transfers are made to other asset categories when they are available for use, at which point depreciation commences.

Right-of-use assets arise under IFRS 16 Leases and are depreciated over the shorter of the estimated life and the lease term.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings and leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and equipment	3-15 years

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. No depreciation is charged on freehold land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Property, plant and equipment continued

The carrying values of property, plant and equipment are reviewed annually for indicators of impairment, or if events or changes in circumstances indicate that the carrying value may not be recoverable. If such indication exists an impairment test is performed and, where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds or costs and the carrying amount of the item) is included in the Income Statement in the period that the item is derecognised.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

On acquisition of businesses, separately identifiable intangible assets are initially recorded at their fair value at the acquisition date.

Access to the use of brands and intellectual property are valued using a "relief from royalty" method which determines the net present value of future additional cash flows arising from the use of the intangible asset.

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

Technology assets are valued using a replacement cost approach, or a "relief from royalty" method.

Amortisation of intangible assets is recorded in administration expenses in the Income Statement and is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Customer relationships and contracts	20 years or less
Brands and intellectual property	20 years or less
Technology	9 years or less
Computer software	5 years or less
Development costs	6 years or less

Where computer software is not integral to an item of property, plant or equipment, its costs are capitalised and categorised as intangible assets. Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets (other than computer software and development costs) are tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses are measured on a similar basis to property, plant and equipment. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Costs relating to clearly defined and identifiable development projects are capitalised when there is a technical degree of exploitation, adequacy of resources and a potential market or development possibility in the undertaking that are recognisable; and where it is the intention to produce, market or execute the project. A correlation must also exist between the costs incurred and future benefits and those costs must be able to be measured reliably. Capitalised costs are expensed on a straight-line basis over their useful lives of 6 years or less. Costs not meeting such criteria are expensed as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value and are measured using a first in, first out or weighted average cost basis. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where considered necessary.

Cash and cash equivalents

Cash and cash equivalents may comprise cash in hand, balances with banks and similar institutions, and short-term deposits which are readily convertible to cash and are subject to insignificant risks of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. In the prior year, outstanding bank overdrafts were presented as loans with Related Parties due to banking arrangements across the Melrose Industries PLC group and not deducted from cash balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Loans with Related Parties

Loans with Related Parties consisted of loans with the previous ultimate parent Melrose Industries PLC and other non-group entities owned by Melrose Industries PLC prior to the demerger on 20 April 2023. Loans receivable from and payable to Related Parties are accounted for as financial assets and financial liabilities respectively as set out below.

Leases

Where a lease arrangement is identified, a liability to the lessor is included in the Balance Sheet as a lease obligation calculated at the present value of minimum lease payments. A corresponding right-of-use asset is recorded in property, plant and equipment. The discount rate used to calculate the lease liability is the Group's incremental borrowing rate, unless there is a rate implicit in the lease. The incremental borrowing rate is used for the majority of leases. Incremental borrowing rates are based on the term, currency, country and start date of the lease and reflect the rate the Group would pay for a loan with similar terms and security.

Following initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. Where there is a change in future lease payments due to a rent review, change in index or rate, or a change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option, the lease obligation is remeasured. A corresponding adjustment is made to the associated right-of-use asset. Right-of-use assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between finance costs and a reduction in the lease obligation so as to reflect the interest on the remaining balance of the obligation. Finance charges are recorded in the Income Statement within finance costs.

Leases with a term of 12 months or less and leases for low value are not recorded on the Balance Sheet. Lease payments for these leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Expenses relating to variable lease payments which are not included in the lease liability, due to being based on a variable other than an index or rate, are recognised as an expense in the Income Statement.

Financial instruments – assets

Classification and measurement

All financial assets are classified as either those which are measured at fair value, through profit or loss or other comprehensive income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, contract assets and amounts due from equity accounted investments are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Impairment of financial assets

For trade receivables and contract assets, the simplified approach permitted under IFRS 9 Financial Instruments is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9.

Derivatives over own equity

The Group holds a derivative asset over its own equity as a result of a contract for its own shares to be returned to it at nil cost under certain circumstances dependent on the Company's share price at a future date. As a transaction with a shareholder, the asset was initially recognised directly in equity at the fair value of the shares expected to be returned. Following initial recognition, the derivative asset is held on the Balance Sheet at fair value. Gains and losses arising on the remeasurement of the asset are recognised immediately in the Income Statement.

Trade and other receivables

Trade and other receivables that are held within a business model whose objective is to hold the receivables in order to collect contractual cash flows, and where the contractual terms of the receivables give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured and carried at amortised cost using the effective interest method, less any impairment. For trade receivables, the carrying amount is reduced by a loss allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the Income Statement.

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. In measuring the expected credit losses, the Group considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic decisions.

Other receivables are also considered for impairment. The Group recognises the expected lifetime credit loss when there has been a significant increase in credit risk (such as changes to credit ratings or when the contractual payments are overdue by more than 30 days) since initial recognition. However, if the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. The carrying amount is reduced by any loss arising which is recorded in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Financial instruments – liabilities

Recognition and derecognition of financial liabilities

Financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. The Group derecognises financial liabilities when the Group's obligations are discharged, significantly modified, cancelled or they expire.

Classification and measurement

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest rate basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability, or, where appropriate, a shorter period to the gross carrying amount of the financial liability.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received net of associated issue costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity risks, arising from operating and financing activities. The Group does not hold or issue derivative financial instruments for speculative trading purposes. Derivative financial instruments are recognised and stated at fair value in the Balance Sheet. Their fair value is recalculated at each reporting date. The accounting treatment for the resulting gain or loss will depend on whether the derivative meets the criteria to qualify for hedge accounting and are designated as such.

Where derivatives do not meet the criteria to qualify for hedge accounting, any gains or losses on the revaluation to fair value at the period end are recognised immediately in the Income Statement. Where derivatives do meet the criteria to qualify for hedge accounting, recognition of any resulting gain or loss on revaluation depends on the nature of the hedge relationship and the item being hedged.

Derivative financial instruments with maturity dates of less than one year from the period end date are classified as current in the Balance Sheet. Derivatives embedded in non-derivative host contracts are recognised at their fair value in the Balance Sheet when the nature, characteristics and risks of the derivative are not closely related to the host contract. Gains and losses arising on the remeasurement of these embedded derivatives at each balance sheet date are recognised in the Income Statement.

Hedge accounting

In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents that the hedge will be highly effective, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The Group designates certain hedging instruments as either cash flow hedges or hedges of net investments in foreign operations. No hedge accounting was in place within the Group prior to the demerger from the Melrose Industries PLC group.

Cash flow hedge

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to the variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted cash flow.

The Group designates the full change in the fair value of interest rate swap contracts as the hedging instrument for variable interest rate exposure on debt. The effective portion of any gain or loss from revaluing the derivative financial instrument is recognised in the Statement of Comprehensive Income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts previously recognised in the Statement of Comprehensive Income and accumulated in equity are recycled to the Income Statement in the periods when the hedged item is recognised in the Income Statement or when the forecast transaction is no longer expected to occur.

Hedges of net investments in foreign operations

Debt financial instruments are classified as net investment hedges when they hedge the Group's net investment in foreign operations. The effective element of any foreign exchange gain or loss from revaluing the debt at a reporting period end is recognised in the Statement of Comprehensive Income. Any ineffective element is recognised immediately in the Income Statement.

Gains and losses accumulated in equity are recognised immediately in the Income Statement when the foreign operation is disposed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and other retirement benefits

The Group operates defined benefit pension plans and defined contribution plans, some of which require contributions to be made to administered funds separate from the Group.

For the defined benefit pension and retirement benefit plans, plan assets are measured at fair value and plan liabilities are measured on an actuarial basis and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, are measured using the projected unit credit method.

The service cost of providing pension and other retirement benefits to employees for the period is charged to the Income Statement.

Net interest expense on net defined benefit obligations is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit obligations at the beginning of the year. The net interest expense is recognised within finance costs.

Remeasurement gains and losses comprise actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest). Remeasurement gains and losses, and taxation thereon, are recognised in full in the Statement of Comprehensive Income in the period in which they occur and are not subsequently recycled.

Actuarial gains and losses may result from differences between the actuarial assumptions underlying the plan obligations and actual experience during the period or changes in the actuarial assumptions used in the valuation of the plan obligations.

For defined contribution plans, contributions payable are charged to the Income Statement as an operating expense when employees have rendered services entitling them to the contributions.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group's Consolidated Financial Statements, the results and financial position of each Group company are expressed in pounds Sterling, which is also the presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the Group's Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in the Statement of Comprehensive Income and accumulated in equity (attributed to non-controlling interests as appropriate). Such translation differences are recognised as income or as expenses in the period in which the related operation is disposed of. Any exchange differences that have previously been attributed to non-controlling interests are derecognised but they are not reclassified to the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate prevailing at the balance sheet date.

Taxation

The tax expense is based on the taxable profits for the period and represents the sum of the tax paid or currently payable and deferred tax.

Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Summary of material accounting policies continued

Taxation continued

A tax provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent advice.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises on the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the timing of the reversal of the temporary differences associated with investments in subsidiaries and interests in equity accounted investments can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry-forward of unused tax assets and unused tax losses can be utilised except:

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in equity accounted investments, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the relevant balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax relating to items recognised directly in other comprehensive income is recognised in the Statement of Comprehensive Income and not in the Income Statement.

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payment. The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a Monte Carlo pricing model.

Government grants

Government grants are not recognised in the Income Statement until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in the Income Statement on a systematic basis over the periods in which the Group recognises the related costs for which the grants are intended to compensate.

Specifically, government grants where the primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred government grants in the Balance Sheet and transferred to the Income Statement on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the Income Statement in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in Note 2.

There are no other critical judgements other than those involving estimates, that have had a significant effect on the amounts recognised in the Consolidated Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Assumptions used to determine the recoverable amount of goodwill and other assets

Determining whether the goodwill of groups of cash-generating units ("CGUs") is impaired requires an estimation of its recoverable amount which is compared against the carrying value. The recoverable amount is deemed to be the higher of the value in use and fair value less costs to sell. For the year ended 31 December 2023, impairment testing has been performed for each group of CGUs using the value in use method based on estimated discounted cash flows.

The impairment tests concluded that there was headroom of £449 million for the Automotive group of CGUs, but that the Powder Metallurgy group of CGUs was impaired by £449 million (2022: £nil).

The models used to calculate value in use for each group of CGUs are particularly sensitive to key assumptions around discount rates, long-term growth rates and underlying assumptions underpinning forecasts including the impact of macroeconomic conditions such as interest rates and inflation on future sales and input prices which drive forecast operating margins and ultimately cash flows.

Details of the key assumptions supporting the impairment tests, together with sensitivity analysis in respect of those key assumptions, are set out in Note 12.

Assumptions used to determine the carrying amount of the Group's net retirement benefit obligations

The Group's pension plans are significant in size. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. At 31 December 2023, the retirement benefit obligation was a net deficit of £459 million (2022: £461 million).

Further details of the assumptions applied and a sensitivity analysis on the principal assumptions used to determine the defined benefit liabilities of the Group's obligations are shown in Note 23. Whilst actual movements might be different to sensitivities shown, these are considered to reflect a reasonably possible change that could occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Revenue

An analysis of the Group's revenue, presented by destination, is as follows:

Year ended 31 December 2023	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
UK	180	12	–	192
Rest of Europe	1,312	360	4	1,676
North America	1,606	446	1	2,053
South America	144	17	–	161
Asia	588	180	–	768
Africa	13	1	–	14
Revenue	3,843	1,016	5	4,864

Year ended 31 December 2022	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
UK	161	10	1	172
Rest of Europe	1,168	327	–	1,495
North America	1,503	443	–	1,946
South America	160	17	–	177
Asia	593	197	–	790
Africa	13	2	–	15
Revenue	3,598	996	1	4,595

The Group derives its revenue from the transfer of goods at a point in time.

5. Segment information

Segment information is presented in accordance with IFRS 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Chief Operating Decision Maker ("CODM"), which has been deemed to be the Group's Board, in order to allocate resources to the segments and assess their performance.

The operating segments are as follows:

Automotive – a global technology and systems engineer which designs, develops, manufactures and integrates an extensive range of driveline technologies, including electric vehicle components.

Powder Metallurgy – a global leader in precision powder metal parts for the automotive and industrial sectors, as well as the production of powder metal.

Hydrogen – offering reliable and secure hydrogen storage solutions, launched in 2021.

In addition, central corporate cost centres are also reported to the Board. The central corporate cost centres contain the Group head office costs and charges related to the divisional management long-term incentive plans.

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis, in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been disclosed.

The following tables present the segment revenues and operating profits as regularly reported to the CODM, as well as certain asset and liability information regarding the Group's operating segments and central cost centres.

a) Segment revenues

The Group has assessed that the disaggregation of revenue recognised from contracts with customers by operating segment is appropriate as this is the information regularly reviewed by the CODM in evaluating financial performance.

Year ended 31 December 2023	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		4,437	1,047	5	5,489
Equity accounted investments	14	(594)	(31)	–	(625)
Revenue	4	3,843	1,016	5	4,864

Year ended 31 December 2022	Notes	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Total £m
Adjusted revenue		4,223	1,022	1	5,246
Equity accounted investments	14	(625)	(26)	–	(651)
Revenue	4	3,598	996	1	4,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. Segment information continued

b) Segment operating profit

Year ended 31 December 2023	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate ⁽²⁾ £m	Total £m
Adjusted operating profit/(loss)	306	96	(15)	(32)	355
Items not included in adjusted operating profit ⁽¹⁾ :					
Impairment of goodwill	-	(449)	-	-	(449)
Amortisation of intangible assets acquired in business combinations	(146)	(51)	-	-	(197)
Restructuring costs	(109)	(10)	(1)	-	(120)
Demerger costs	-	-	-	(42)	(42)
Equity accounted investments adjustments	(30)	-	-	-	(30)
Movement in derivatives and associated financial assets and liabilities	(3)	-	-	19	16
Net release and changes in discount rates of certain fair value items	12	5	-	-	17
Operating profit/(loss)	30	(409)	(16)	(55)	(450)
Finance costs					(101)
Finance income					29
Loss before tax					(522)
Tax					27
Loss after tax for the year					(495)

1. For further details on adjusting items, refer to Note 6.

2. Corporate adjusted operating loss of £32 million, includes a charge of £8 million in respect of divisional management long-term incentive plans.

Year ended 31 December 2022	Automotive £m	Powder Metallurgy £m	Hydrogen £m	Corporate ⁽²⁾ £m	Total £m
Adjusted operating profit/(loss)	250	96	(14)	1	333
Items not included in adjusted operating profit ⁽¹⁾ :					
Amortisation of intangible assets acquired in business combinations	(147)	(51)	-	-	(198)
Restructuring costs	(37)	(17)	-	-	(54)
Equity accounted investments adjustments	(29)	-	-	-	(29)
Movement in derivatives and associated financial assets and liabilities	(7)	(1)	-	23	15
Net release and changes in discount rates of certain fair value items	5	9	-	-	14
Impairment of assets	(20)	-	-	-	(20)
Acquisition and disposal related (losses)/gains	(4)	-	-	1	(3)
Operating profit/(loss)	11	36	(14)	25	58
Finance costs					(272)
Finance income					151
Loss before tax					(63)
Tax					(14)
Loss after tax for the year					(77)

1. For further details on adjusting items, refer to Note 6.

2. Corporate adjusted operating profit of £1 million, includes a credit of £10 million in respect of divisional management long-term incentive plans and a £2 million charge relating to costs allocated to the Group for general corporate services which the Group would have incurred had it operated on a standalone basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. Segment information continued

c) Segment total assets and liabilities

	Total assets		Total liabilities	
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Automotive	4,561	4,837	2,059	2,177
Powder Metallurgy	1,268	1,814	404	409
Hydrogen	14	7	6	6
Corporate	391	3,129	1,199	2,202
Total	6,234	9,787	3,668	4,794

d) Segment capital expenditure and depreciation

	Capital expenditure ⁽¹⁾		Depreciation of owned assets ⁽¹⁾		Depreciation of leased assets	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Automotive	217	187	187	184	15	14
Powder Metallurgy	42	44	50	53	10	10
Hydrogen	3	-	-	-	-	-
Total	262	231	237	237	25	24

1. Including computer software and development costs. Capital expenditure excludes lease additions.

e) Geographical information

The Group operates in various geographical areas around the world. The parent company's country of domicile is the UK and the Group's revenues and non-current assets in the rest of Europe and North America are also considered to be material.

The Group's revenue from external customers and information about specific segment assets (non-current assets excluding loans receivable from Related Parties, deferred tax assets, non-current derivative financial assets, other financial assets, retirement benefit surplus and non-current other receivables) by geographical location are detailed in the following table:

	Revenue ⁽¹⁾ from external customers		Segment assets	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
UK	192	172	633	723
Rest of Europe	1,676	1,495	1,637	1,980
North America	2,053	1,946	1,298	1,525
Other	943	982	928	1,112
Total	4,864	4,595	4,496	5,340

1. Revenue is presented by destination.

6. Reconciliation of adjusted profit measures

As described in Note 2, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

a) Operating profit

		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Operating (loss)/profit	Notes	(450)	58
Impairment of goodwill	a	449	-
Amortisation of intangible assets acquired in business combinations	b	197	198
Restructuring costs	c	120	54
Demerger costs	d	42	-
Equity accounted investments adjustments	e	30	29
Movement in derivatives and associated financial assets and liabilities	f	(16)	(15)
Net release and changes in discount rates of certain fair value items	g	(17)	(14)
Impairment of assets	h	-	20
Acquisition and disposal related losses	i	-	3
Total adjustments to operating (loss)/profit		805	275
Adjusted operating profit		355	333

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Reconciliation of adjusted profit measures continued

a) Operating profit continued

- a. An impairment charge of £449 million (2022: £nil) has been recognised in the year in relation to goodwill held in the Powder Metallurgy cash-generating unit ("CGU"). The impairment charge primarily reflects current mid-term profit and cash assumptions being lower than those previously assumed for the CGU when determining its carrying value, with the reduction largely a result of the softening in the underlying forecast of the growth assumptions in its core business. Further details of the impairment can be found in Note 12.
- b. The amortisation charge on intangible assets acquired in business combinations of £197 million (2022: £198 million), is excluded from adjusted results due to its non-trading nature and to enable comparison with companies that grow organically. However, where intangible assets are trading in nature, such as computer software and development costs, the related amortisation is not excluded from adjusted results.
- c. Costs associated with restructuring projects in the year totalling £120 million (2022: £54 million) are shown as adjusting items due to their size and non-trading nature. During the year these included:
- A charge of £109 million (2022: £37 million) within the Automotive division, primarily relating to significant footprint consolidation actions in Europe as the business continues to address its cost base and deliver transformational programmes. Significant costs incurred include severance provisions and other direct costs relating to the closure of a Driveline plant in Mosel, Germany; costs relating to opening a new manufacturing facility in Miskolc, Hungary in advance of the plant becoming operational; and direct costs of expansion in Mexico as new product lines are added to the facility.
 - A charge of £11 million (2022: £17 million) within the Powder Metallurgy and Hydrogen divisions.
- d. One-off costs relating to the demerger of the Group from Melrose Industries PLC of £42 million were incurred during the year (2022: £nil). Costs incurred were incremental costs directly associated with the transaction. These items have been excluded from adjusted results due to their size and non-recurring nature.
- e. The Group has a number of equity accounted investments ("EAls") in which it does not hold full control, the largest of which is a 50% interest in Shanghai GKN HUAYU Driveline Systems ("SDS"), within the Automotive business. EAls in the Group generated £625 million (2022: £651 million) of revenue in the year, which is not included in the statutory results but is shown within adjusted revenue so as not to distort the operating margins reported in the businesses when the adjusted operating profit earned from these EAls is included.

In addition, the profits and losses of EAls, which are shown after amortisation of intangible assets arising on acquisition, interest and tax in the statutory results, are adjusted to show the adjusted operating profit consistent with the adjusted operating profits of the subsidiaries of the Group. The revenue and profit of EAls are adjusted because they are considered to be significant in size and are important in assessing the performance of the business.

- f. Movements in the fair value of derivative financial instruments (primarily forward foreign currency exchange contracts where hedge accounting is not applied) entered into to mitigate the potential volatility of future cash flows, on long-term foreign currency customer and supplier contracts, including foreign exchange movements on the associated financial liabilities, are shown as an adjusting item. This totalled a credit of £16 million (2022: £15 million). Movements in fair value are treated as an adjusting item due to their volatility. Any gains and losses on settlement are recorded in underlying results to give a better understanding of how the gains and losses on currency contracts relate to the trading cash flows.
- g. Certain items previously recorded as fair value items on historical acquisitions, have been resolved for more favourable amounts than first anticipated. The net release of certain fair value items in the year of £17 million related to loss-making contract provisions (2022: £14 million primarily relating to loss making contracts). These items are shown as adjusting to avoid positively distorting the adjusted results.
- h. In the prior year a write down of £20 million was recognised as a result of exiting any direct trading links with Russian operations as a consequence of the invasion of Ukraine. The asset write downs were within the Automotive division and are shown as an adjusting item because of their non-trading nature and size.
- i. No business acquisition and disposal related gains or losses were recorded in the year (2022: loss of £3 million). In prior years these items have been excluded from adjusted results due to their non-trading nature.

b) Profit before tax

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Loss before tax		(522)	(63)
Adjustments to operating (loss)/profit as above		805	275
Net foreign exchange movements on loans with Related Parties	j	(22)	24
Fair value changes on other financial assets	k	1	-
Equity accounted investments – interest	l	2	2
Fair value changes on cross-currency swaps	m	-	59
Total adjustments to loss before tax		786	360
Adjusted profit before tax		264	297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Reconciliation of adjusted profit measures continued

b) Profit before tax continued

- j. The movement in loans with Related Parties as a result of changes in foreign currency exchange rates up to the date of demerger is shown as an adjusting item due to its volatility and non-recurring nature. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.
- k. The fair value changes on other financial assets relating to the movement in their valuation, are shown as an adjusting item due to their volatility and non-trading nature.
- l. As explained in paragraph e above, the profits and losses of equity accounted investments are shown after interest and tax in the statutory results. They are adjusted to show the profit before tax and the profit after tax, consistent with the subsidiaries of the Group.
- m. In the prior year, hedge accounting was not applied in the Dowlais Group and therefore fair value changes on cross-currency swaps relating to cost of hedging are shown as an adjusting item because of their volatility and non-trading nature.

c) Profit after tax

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Loss after tax		(495)	(77)
Adjustments to loss before tax as above		786	360
Tax effect of adjustments to loss before tax	9	(87)	(62)
Equity accounted investments – tax	1	(11)	(9)
Derecognition of deferred tax asset	9	5	-
Tax effect of significant restructuring	9	-	6
Total adjustments to loss after tax		693	295
Adjusted profit after tax		198	218

7. Expenses

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Operating expenses comprise:		
Selling and distribution costs	(38)	(31)
Administration expenses ⁽¹⁾	(771)	(618)
Total operating expenses	(809)	(649)

1. Includes £326 million (2022: £246 million) of adjusting items (Note 6).

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Operating (loss)/profit is stated after charging/(crediting):		
Cost of inventories recognised as an expense	4,107	3,937
Impairment of goodwill	449	-
Amortisation of intangible assets acquired in business combinations	197	198
Depreciation and impairment of property, plant and equipment	253	258
Amortisation and impairment of computer software and development costs	10	19
Lease expense ⁽¹⁾	1	2
Staff costs	1,206	1,099
Research and development costs ⁽²⁾	151	147
Profit on disposal of property, plant and equipment ⁽³⁾	(18)	(11)
Expense of writing down inventory to net realisable value	15	16
Reversals of previous write-downs of inventory	(8)	(17)
Impairment recognised on trade receivables	4	3
Impairment reversed on trade receivables	(1)	(5)

1. Includes costs relating to short-term leases.
2. Includes staff costs totalling £119 million (2022: £121 million).
3. Includes £8 million of adjusting items and £10 million recognised in adjusted operating profit (2022: £11 million in adjusted operating profit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Expenses continued

An analysis of staff costs and employee numbers is as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Staff costs during the year (including Executive Directors)		
Wages and salaries	985	892
Social security costs	202	185
Pension costs (Note 23)		
– defined benefit plans	6	9
– defined contribution plans	12	13
Share-based compensation expense (Note 22)	1	–
Total staff costs	1,206	1,099

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
Average monthly number of persons employed (including Executive Directors)		
Automotive	18,264	18,520
Powder Metallurgy	5,544	5,672
Hydrogen	85	65
Corporate	19	–
Total average number of persons employed	23,912	24,257

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Fees payable to the Company's auditor for the audit of the Company's annual accounts	2.0	–
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
The audit of the Company's subsidiaries	3.1	2.7
Total audit fees	5.1	2.7
Audit-related assurance services:		
Review of the half year interim statement	0.5	–
Total audit-related assurance services	0.5	–
Total audit and audit-related assurance services	5.6	2.7
Total audit and non-audit fees	5.6	2.7

Details of the Company's policy on the use of the auditors for non-audit services and how auditor's independence and objectivity were safeguarded are set out in the Audit Committee report on page 95. No services were provided pursuant to contingent fee arrangements.

8. Finance costs and Finance income

An analysis of finance costs and income is as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Finance costs and income		
Interest on bank loans and overdrafts	(63)	(11)
Interest on loans due to Related Parties ⁽¹⁾	(8)	(22)
Foreign exchange movements on loans with Related Parties ^{(1), (2)}	–	(167)
Amortisation of costs of raising finance	(3)	–
Net interest cost on pensions	(17)	(6)
Lease interest	(6)	(6)
Unwind of discount on provisions	–	(1)
Fair value changes on cross-currency swaps ⁽²⁾	–	(59)
Fair value changes on other financial assets ⁽²⁾	(1)	–
Other finance costs	(3)	–
Total finance costs	(101)	(272)
Foreign exchange movements on loans with Related Parties ^{(1), (2)}	22	143
Other finance income	7	8
Total finance income	29	151
Total net finance costs	(72)	(121)

1. Related Parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.
2. Fair value changes in cross-currency swaps, foreign exchange movements on loans with Related Parties and Fair value changes on other financial assets are all shown as adjusting items (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Tax

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Analysis of tax charge in the year:		
Current tax		
Current year tax charge	55	50
Adjustments in respect of prior years	(2)	(5)
Total current tax charge	53	45
Deferred tax		
Origination and reversal of temporary differences	(111)	(57)
Adjustments in respect of prior years	27	12
Tax on the change in value of derivative financial instruments	-	6
Adjustments to deferred tax attributable to changes in tax rates	1	3
Non-recognition of deferred tax	3	5
Total deferred tax credit	(80)	(31)
Total tax (credit)/charge for the year	(27)	14
Analysis of tax (credit)/charge for the year:	£m	£m
Tax charge in respect of adjusted profit before tax	66	79
Tax credit recognised as an adjusting item	(93)	(65)
Total tax (credit)/charge for the year	(27)	14

The tax charge of £66 million (2022: £79 million) arising on adjusted profit before tax of £264 million (2022: £297 million), results in an effective tax rate of 25% (2022: 27%).

The £93 million (2022: £65 million) tax credit recognised as an adjusting item includes £87 million (2022: £62 million) in respect of tax credits on adjustments to loss before tax of £786 million (2022: £360 million), £11 million (2022: £9 million) in respect of the tax on equity accounted investments and other adjusting tax charges of £5 million (2022: £6 million).

The Group's underlying effective tax rate may be impacted, from 2024 onwards, by the UK's substantive enactment of the Organisation for Economic Co-operation and Development's Global Anti-Base Erosion Model Rules (Pillar Two). Upon a review of the Group's results for the year ended 31 December 2023 and their interaction with the Pillar Two rules (had they been in force in relation to that year), the Group considers that the impact of Pillar Two on its global tax position will be immaterial.

The tax (credit)/charge for the year can be reconciled to the loss before tax per the Income Statement as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Loss before tax:	(522)	(63)
Tax credit on loss before tax at the weighted average rate of 25% (2022: 23%)	(131)	(14)
Tax effect of:		
Disallowable expenses and other permanent differences within adjusted profit	(23)	12
Disallowable items included within adjusting items	104	(13)
Temporary differences not recognised in deferred tax	3	5
Tax credits, withholding taxes and other rate differences	(7)	14
Adjustments in respect of prior years	25	7
Tax charge classified within adjusting items	5	6
Effect of changes in tax rates	(3)	(3)
Total tax (credit)/charge for the year	(27)	14

The reconciliation has been performed at a blended Group tax rate of 25% (2022: 23%) which represents the weighted average of the tax rates applying to profits and losses in the jurisdictions in which those results arose in the year.

Tax (credits)/charges included in other comprehensive income are as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Deferred tax on retirement benefit obligations	(4)	27
Deferred tax on foreign exchange gains and losses	(4)	-
Current tax on foreign exchange gains and losses	-	12
Total (credit)/charge for the year	(8)	39

Franked investment income - litigation

Since 2003, certain entities in the Group have been involved in litigation with HMRC in respect of various advance corporate tax payments and corporate tax paid on certain foreign dividends which, in their view, were levied by HMRC in breach of the Group's EU community law rights.

The continuing complexity of the case and uncertainty over the issues raised means that it is not possible to predict the final outcome of the litigation with any reasonable degree of certainty. The Group entities included in the case assigned their rights and obligations in relation to the litigation to GKN Holdings Limited, a member of the Melrose Industries PLC Group, in advance of the demerger.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Dividends

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Dividends paid to Related Parties	1,675	-
Interim dividend for the year ended 31 December 2023	19	-
	1,694	-

On 23 February 2023, prior to the demerger, G.K.N. Industries Limited declared a dividend of £1,675 million (72.83 pence per ordinary share) in favour of its immediate parent undertaking GKN Enterprise Limited, a member of the Melrose Industries PLC Group.

An interim dividend of 1.4 pence per ordinary share (2022: £nil) was declared by the Board on 12 September 2023 and paid on 27 October 2023, totalling £19 million.

A final dividend of 2.8 pence per ordinary share (2022: £nil) is proposed by the Board, totalling £39 million.

11. Earnings per share

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Earnings attributable to owners of the parent		
Net loss attributable to shareholders	(501)	(82)
Adjustments for earnings attributable to shares subject to recall	10	2
Earnings for basis of earnings per share	(491)	(80)

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number ⁽¹⁾
Weighted average number of ordinary shares (million)	1,390	1,393
Adjustment for shares subject to recall (million)	(28)	(28)
Weighted average number of ordinary shares for the purposes of basic earnings per share (million)	1,362	1,365
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million)	1,362	1,365

1. See Note 2 for details on application of merger accounting.

	Year ended 31 December 2023 pence	Year ended 31 December 2022 pence
Earnings per share		
Basic earnings per share	(36.0)	(5.9)
Diluted earnings per share	(36.0)	(5.9)

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Adjusted earnings attributable to shareholders ⁽²⁾	192	213
Adjustment for earnings attributable to shares subject to recall	(4)	(4)
Adjusted earnings for the basis of adjusted earnings per share	188	209

Adjusted earnings per share

	Year ended 31 December 2023 pence	Year ended 31 December 2022 pence
Adjusted basic earnings per share	13.8	15.3
Adjusted diluted earnings per share	13.8	15.3

2. Adjusted earnings for the year ended 31 December 2023 comprises adjusted profit after tax (see Note 6c) of £198 million (2022: £218 million), net of an allocation of profit to non-controlling interests of £6 million (2022: £5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Goodwill and other intangible assets

	Goodwill £m	Customer relationships and contracts £m	Brands and intellectual property £m	Other ⁽¹⁾ £m	Computer software £m	Development costs £m	Total £m
Cost							
At 1 January 2022	1,508	1,655	183	402	89	94	3,931
Additions	-	-	-	-	6	14	20
Disposals	-	-	-	-	(2)	(1)	(3)
Impact of hyperinflationary economies ⁽²⁾	10	10	-	-	-	-	20
Exchange adjustments	87	124	-	2	5	5	223
At 31 December 2022 ⁽²⁾	1,605	1,789	183	404	98	112	4,191
Additions	-	-	-	-	12	4	16
Disposals	-	-	-	-	(5)	-	(5)
Impact of hyperinflationary economies	2	3	-	-	-	-	5
Reclassification	-	-	-	-	3	(3)	-
Exchange adjustments	(51)	(73)	-	(2)	(2)	(4)	(132)
At 31 December 2023	1,556	1,719	183	402	106	109	4,075
Amortisation and impairment							
At 1 January 2022	-	(493)	(34)	(175)	(79)	(52)	(833)
Charge for the year:							
Adjusted operating profit	-	-	-	-	(3)	(7)	(10)
Adjusting items	-	(140)	(9)	(49)	-	-	(198)
Impairments ⁽³⁾	-	-	-	-	-	(9)	(9)
Disposals	-	-	-	-	2	1	3
Exchange adjustments	-	(39)	(1)	(2)	(4)	(3)	(49)
At 31 December 2022	-	(672)	(44)	(226)	(84)	(70)	(1,096)
Charge for the year:							
Adjusted operating profit	-	-	-	-	(5)	(5)	(10)
Adjusting items	-	(140)	(9)	(48)	-	-	(197)
Impairments ⁽³⁾	(449)	-	-	-	-	-	(449)
Disposals	-	-	-	-	5	-	5
Reclassification	-	-	-	-	(1)	1	-
Exchange adjustments	-	30	-	2	3	2	37
At 31 December 2023	(449)	(782)	(53)	(272)	(82)	(72)	(1,710)
Net book value							
At 31 December 2023	1,107	937	130	130	24	37	2,365
At 31 December 2022 ⁽²⁾	1,605	1,117	139	178	14	42	3,095

1. Other includes technology and order backlog intangible assets recognised on acquisitions.

2. Goodwill and other intangible assets at 31 December 2022 include the impact of hyperinflation. See Note 1.3 for further information.

3. Includes a charge of £449 million (2022: £nil) within impairment of goodwill and £nil (2022: £9 million) within impairment of assets, both presented within adjusting items (Note 6).

The goodwill generated as a result of acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. As merger accounting was applied on demerger of the Group from Melrose, goodwill relating to historical acquisitions was transferred at book value based on the goodwill that arose on the original acquisition. No additional goodwill was created as a result of the demerger. Further details are set out in Note 2.

Goodwill acquired in business combinations, net of impairment, has been allocated to the businesses, each of which comprises several cash-generating units ("CGUs"). Goodwill is allocated to the Automotive and Powder Metallurgy groups of CGUs, which each represent reportable segments, as this is the level where resources are allocated and where there is consistent senior management review and oversight.

	31 December 2023 £m	31 December 2022 £m
Goodwill		
Automotive	1,028	1,056
Powder Metallurgy	79	549
Total	1,107	1,605

Impairment testing

The Group tests goodwill annually or more frequently if there are indications that goodwill might be impaired. The date of the annual impairment test is 31 October, aligned with internal forecasting and review processes. In accordance with IAS 36 Impairment of Assets, the Group values goodwill at the recoverable amount, being the higher of the value in use or fair value less costs to sell. Based on impairment testing completed for the year ended 31 December 2023 no impairment was identified in respect of the Automotive group of CGUs however, as explained below, an impairment of £449 million was recognised in respect of the Powder Metallurgy group of CGUs (2022: no impairment identified to either group of CGUs).

Significant assumptions and estimates

The basis of the impairment tests and the key assumptions are set out in the tables below:

Groups of CGUs	31 December 2023			31 December 2022		
	Pre-tax discount rates	Long-term growth rates	Years in forecast	Post-tax discount rates	Long-term growth rates	Years in forecast
Automotive	13.3%	3.3%	5	11.3%	3.5%	5
Powder Metallurgy	13.4%	3.3%	5	12.0%	3.9%	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Goodwill and other intangible assets continued

Risk adjusted discount rates

Cash flows within the groups of CGUs are discounted using a post-tax discount rate specific to each group of CGUs. Discount rates reflect the current market assessments of the time value of money and the territories in which the group of CGUs operates. In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds and an interest rate premium equivalent to a corporate bond with a credit rating similar to an estimated rating for the Group.

The pre-tax discount rate for each group of CGUs is derived such that when applied to pre-tax cash flows it gives the same result as when the observable post-tax weighted average cost of capital is applied to post-tax cash flows. The goodwill impairment test performed at 31 December 2022 used post-tax discount rates as a 'fair value less costs to sell' methodology was applied.

Assumptions applied in financial forecasts

The Group prepares cash flow forecasts derived from financial budgets and medium-term forecasts. Each forecast has been prepared using a cash flow period deemed most appropriate by management, considering the nature of each group of CGUs. The key assumptions used in forecasting cash flows relate to future budgeted revenue and operating margins likely to be achieved and the expected rates of long-term growth by market sector. Underlying factors in determining the values assigned to each key assumption are shown below.

Revenue growth and operating margins

Revenue growth assumptions in the forecast period are based on financial budgets and medium-term forecasts by management, taking into account industry growth rates and management's historical experience in the context of wider industry and economic conditions. Projected sales are built up with reference to markets and product categories. They incorporate past performance, historical growth rates, projections of developments in key markets, secured orders and orders forecast to be achieved in the short to medium-term given trends in the relevant market sector. Revenue assumptions are made using external market data, where available, and also consider the potential continued impact of recent macroeconomic and political instability.

Operating margins have been forecast based on historical levels achieved considering the likely impact of changing economic environments and competitive landscapes on volumes and revenues and the impact of management actions on costs. Projected margins reflect the impact of all committed and initiated projects to improve operational efficiency and leverage scale and increases from returning sales volumes.

Forecasts for other operating costs are based on inflation forecasts and supply and demand factors, which take account of climate change implications for affected markets. Overall, climate risk exposure is considered to be relatively low across the divisions in the short and medium-term but starts to increase in the longer-term, for example through increasing likelihood of flooding risk or increasing wildfire risk. Impairment testing includes short to medium-term planning (five years) for each of the groups of CGUs, which addresses known risks from climate change and other environmental factors impacting forecast costs as well as the opportunities in associated markets as they prepare for change, for example, transition to electrification in Automotive which is expected to impact revenues.

Across the Group, key drivers for growth in revenue and operating margins include the ability to win new business and increase market share. Operating margins are driven by the Group's ability to optimise performance. This includes manufacturing optimisation and automation, making supply chain savings, commercial activities to align sales prices with inflationary pressures, and restructuring activities to ensure the Group is operating an efficient cost base.

For Automotive, sector growth is driven by global demand for a large range of cars, ranging from smaller low-cost cars to larger premium vehicles. Demand is influenced by technological advancements, particularly in electric and full hybrid vehicles, market expectations for global vehicle production requirements, fuel prices, raw material input costs and expectations of their recovery, consumer spending, credit availability, and other macroeconomic factors.

For Powder Metallurgy, growth is dependent on trends in the automotive and industrial markets. Market expectations for global light vehicle production requirements, raw material input costs and technological advancements, particularly in additive manufacturing, influence demand for these products along with other macroeconomic factors.

Long-term growth rates

Long-term growth rates are based on long-term forecasts for growth in the sectors and geographies in which the group of CGUs operates. These rates are determined using forecasts that reflect the international presence and the markets in which each business operates.

Sensitivity analysis

The models used to calculate value in use for each group of CGUs are particularly sensitive to key assumptions around discount rates, long-term growth rates and underlying assumptions underpinning forecasts including the impact of macroeconomic conditions such as interest rates and inflation on future sales and input prices which drive forecast operating margins and ultimately cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Goodwill and other intangible assets continued

Automotive group of CGUs – sensitivity analysis

The forecasts show headroom of £449 million above the carrying amount for the Automotive group of CGUs. Sensitivity analysis has been carried out and a reasonably possible increase in the discount rate from 13.3% to 15.0%, whilst management consider this to be unlikely, would reduce headroom to £nil. Further increases in the discount rate to 15.3% would result in an impairment charge of c.£69 million being recognised in 2024. Management does not believe reasonably possible changes in the long-term growth rate of 3.3% would result in headroom being eroded to £nil, however for indication purposes, a decrease in the long-term growth rate by 1.0% to 2.3% would result in a reduction of headroom by £197 million. Operating margin assumptions are a key driver of business value and a 14% reduction in the terminal operating profit would reduce operating profit margin by 1.3 percentage points, resulting in headroom of £nil. An additional reduction in the terminal operating profit, representing a total reduction of 18%, would reduce operating profit margin by 1.6 percentage points, resulting in an impairment charge of c.£112 million in 2024.

Powder Metallurgy group of CGUs – impairment and sensitivity analysis

The 2023 Powder Metallurgy impairment test was based on the 2024 budget and 2025-2028 strategic plan which reflects the division's latest outlook including the estimated continued impacts of the recent global political and macroeconomic instability. Whilst management believe that the business has promising longer-term prospects, current mid-term profit and cash assumptions are lower than those previously assumed when determining carrying value. This is largely driven by a softening in the underlying forecast of the growth assumptions in its core business. This has been reflected in the budget and strategic plan forecasts resulting in lower revenue and profit growth assumptions over the 5-year forecast period. Based on these forecasts, the discounted cash flow exercise implied a reduced recoverable amount, based on value in use, of £884 million. As this is lower than the carrying value, an impairment charge of £449 million has been applied to goodwill and recognised in the Consolidated Income Statement accordingly. At December 2022 the recoverable amount was higher than the carrying value when applying a fair value less costs to sell methodology and consequently no impairment was recorded.

The value of the Powder Metallurgy group of CGUs remains sensitive to and dependent upon the underlying forecast and financial assumptions in the future. Operating margin assumptions are a key driver of business value and a reduction in the terminal operating profit by 10% would reduce the operating margin by 1.0 percentage points, resulting in an additional impairment charge of £80 million. A reasonably possible 1.0% increase in discount rates from 13.4% to 14.4% would result in an additional impairment charge of £81 million being incurred. A reasonably possible 1.0% decrease in growth rates from 3.3% to 2.3% would result in an additional impairment charge of £50 million being incurred. For all sensitivities, it is assumed that all other variables remain unchanged.

Allocation of significant intangible assets

The allocation of significant customer relationships and contracts, brands, intellectual property and technology is as follows:

	Customer relationships and contracts			
	Remaining amortisation period		Net book value	
	31 December 2023 years	31 December 2022 years	31 December 2023 £m	31 December 2022 £m
Automotive	7	8	501	621
Powder Metallurgy	12	13	436	496
Total			937	1,117

	Brands, intellectual property and technology			
	Remaining amortisation period		Net book value	
	31 December 2023 years	31 December 2022 years	31 December 2023 £m	31 December 2022 £m
Automotive	15	16	214	261
Powder Metallurgy	15	16	46	56
Total			260	317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2022	611	1,699	2,310
Additions	23	202	225
Disposals	(14)	(85)	(99)
Impact of hyperinflationary economies ⁽¹⁾	4	4	8
Exchange adjustments	35	185	220
At 31 December 2022 ⁽¹⁾	659	2,005	2,664
Additions	10	263	273
Disposals	(24)	(40)	(64)
Transfer	71	(71)	-
Impact of hyperinflationary economies	1	2	3
Exchange adjustments	(30)	(88)	(118)
At 31 December 2023	687	2,071	2,758
Accumulated depreciation and impairment			
At 1 January 2022	(89)	(479)	(568)
Charge for the year	(30)	(221)	(251)
Disposals	2	81	83
Impairments ⁽²⁾	-	(7)	(7)
Exchange adjustments	(4)	(96)	(100)
At 31 December 2022	(121)	(722)	(843)
Charge for the year	(30)	(222)	(252)
Disposals	10	38	48
Impairments	(1)	-	(1)
Exchange adjustments	6	35	41
At 31 December 2023	(136)	(871)	(1,007)
Net book value			
At 31 December 2023	551	1,200	1,751
At 31 December 2022	538	1,283	1,821

1. Property, plant and equipment as at 31 December 2022 includes the impact of hyperinflation. See Note 1.3 for further information.

2. December 2022 impairment charge of £7 million was shown as an adjusting item (Note 6).

Assets under the course of construction at 31 December 2023 totalled £158 million (31 December 2022: £156 million). Assets under the course of construction are presented as plant and equipment until the point at which the asset is ready for use. Transfers of £71 million (2022: £nil) between asset classes were recorded on completion of construction projects.

The basis of testing for impaired assets, which resulted in a charge totalling £1 million (2022: £7 million), primarily used fair value less costs to sell methodology which was classified as a level 3 fair value under the IFRS 13 fair value hierarchy. The assets were deemed to have no further recoverable value.

Property, plant and equipment includes the net book value of right-of-use assets as follows:

	Land and buildings £m	Plant and equipment £m	Total £m
Right-of-use asset			
At 1 January 2022	120	31	151
Additions	7	7	14
Depreciation	(14)	(10)	(24)
Disposals	(4)	-	(4)
Exchange adjustments	5	2	7
At 31 December 2022	114	30	144
Additions	9	18	27
Depreciation	(14)	(11)	(25)
Disposals	(1)	-	(1)
Exchange adjustments	(6)	(2)	(8)
At 31 December 2023	102	35	137

14. Equity accounted investments

	31 December 2023 £m	31 December 2022 £m
Aggregated amounts relating to equity accounted investments:		
Share of current assets	453	409
Share of non-current assets	255	311
Share of current liabilities	(298)	(289)
Share of non-current liabilities	(30)	(7)
Interests in equity accounted investments	380	424

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Group share of results		
Revenue	625	651
Operating costs	(544)	(573)
Adjusted operating profit	81	78
Adjusting items	(21)	(22)
Net finance income	2	2
Profit before tax	62	58
Tax	(11)	(9)
Share of results of equity accounted investments	51	49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Equity accounted investments continued

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Group share of equity accounted investments		
At 1 January	424	422
Share of results of equity accounted investments	51	49
Dividends paid to the Group	(63)	(59)
Exchange adjustments	(32)	12
At 31 December	380	424

Within the Group's share of equity accounted investments there is one significant joint venture, held within the Automotive segment, Shanghai GKN HUAYU Driveline Systems Co Limited ("SDS"). SDS had total sales in the year of £1,189 million (2022: £1,243 million), adjusted operating profit of £142 million (2022: £142 million), adjusting items relating to the amortisation of acquisition related intangible assets recognised on consolidation of £42 million (2022: £44 million), statutory operating profit of £100 million (2022: £98 million), an interest credit of £6 million (2022: £4 million) and a tax charge of £20 million (2022: £18 million), leaving retained profit of £86 million (2022: £84 million).

Total net assets of SDS at 31 December 2023 were £696 million (2022: £786 million). These comprised non-current assets of £449 million (2022: £580 million), current assets of £796 million (2022: £715 million), current liabilities of £506 million (2022: £504 million) and non-current liabilities of £43 million (2022: £5 million). During 2023, SDS paid a dividend to the Group of £57 million (2022: £58 million).

15. Inventories

	31 December 2023 £m	31 December 2022 £m
Raw materials	288	273
Work in progress	123	134
Finished goods	99	91
	510	498

In 2023 the write down of inventories to net realisable value amounted to £15 million (2022: £16 million), of which £nil related to impairment of assets (2022: £2 million included within adjusting items). The reversal of write downs amounted to £8 million (2022: £17 million). Write downs and reversals in both years relate to ongoing assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

The Directors consider that there is no material difference between the net book value of inventories and their replacement cost.

16. Trade and other receivables

	31 December 2023 £m	31 December 2022 £m
Current		
Trade receivables	476	524
Allowance for expected credit loss	(16)	(13)
Amounts receivable from Related Parties	-	3
Other receivables	151	100
Prepayments	10	11
Contract assets	7	13
	628	638

Trade receivables are non interest-bearing. Credit terms offered to customers vary upon the country of operation but are generally between 30 and 90 days.

	31 December 2023 £m	31 December 2022 £m
Non-current		
Other receivables	6	14
Contract assets	6	7
	12	21

As described in Note 24, certain businesses participate in receivables working capital programmes and have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2023, eligible receivables under these programmes have been factored and derecognised in line with the derecognition criteria of IFRS 9 Financial Instruments.

An allowance has been made for expected lifetime credit losses with reference to past default experience and management's assessment of credit worthiness over trade receivables, an analysis of which is as follows:

	Automotive £m	Powder Metallurgy £m	Total £m
At 1 January 2022	9	5	14
Income Statement (credit)/charge	(3)	1	(2)
Exchange adjustments	-	1	1
At 31 December 2022	6	7	13
Income Statement charge	3	-	3
At 31 December 2023	9	7	16

The concentration of credit risk is limited due to the large number of unrelated customers. Credit control procedures are implemented to ensure that sales are only made to organisations that are willing and able to pay for them. Such procedures include the establishment and review of customer credit limits and terms. The Group does not hold any collateral or any other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Trade and other receivables continued

The ageing of impaired trade receivables past due, provision and recoverable amounts are as follows:

31 December 2023	Gross £m	Provision £m	Recoverable £m
Current	444	-	444
0 – 30 days	21	(9)	12
31 – 60 days	4	-	4
60+ days	7	(7)	-
	476	(16)	460

31 December 2022	Gross £m	Provision £m	Recoverable £m
Current	489	-	489
0 – 30 days	23	(4)	19
31 – 60 days	5	(2)	3
60+ days	7	(7)	-
	524	(13)	511

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group's contract assets comprise the following:

	Participation fees £m	Other £m	Total £m
At 1 January 2022	12	15	27
Additions	1	-	1
Utilised	(3)	(5)	(8)
At 31 December 2022	10	10	20
Additions	-	1	1
Reclassification	-	(3)	(3)
Utilised	(1)	(3)	(4)
Exchange adjustments	(1)	-	(1)
At 31 December 2023	8	5	13

An assessment for impairment of contract assets has been performed in accordance with policies described in Note 2. No such impairment has been recorded.

Participation fees

Participation fees are described in the accounting policies in Note 2 and are considered to be a reduction in revenue for the related customer contract. Amounts are capitalised and 'amortised' to match to the related performance obligation.

17. Cash and cash equivalents

	31 December 2023 £m	31 December 2022 £m
Cash and cash equivalents	313	270

Cash and cash equivalents comprises cash at bank and in hand which earns interest at floating rates based on daily bank deposit rates. The carrying amount of these assets is considered to be equal to their fair value.

18. Trade and other payables

	31 December 2023 £m	31 December 2022 £m
Current		
Trade payables	698	714
Amounts payable to Related Parties	-	13
Accruals and other payables	440	422
Customer advances and contract liabilities	4	7
Other taxes and social security	33	25
Deferred government grants	4	7
	1,179	1,188

As at 31 December 2023, and as described in Note 24, included within trade payables were drawings on supplier finance facilities of £106 million (2022: £125 million).

Trade payables are non-interest-bearing. Normal settlement terms vary by country and the average credit period taken for trade and other payables is 89 days (2022: 89 days).

	31 December 2023 £m	31 December 2022 £m
Non-current		
Other payables	13	20
Customer advances and contract liabilities	5	8
	18	28

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Non-current other payables fall due for payment within one to two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. Details of the Group's exposure to credit, liquidity, interest rate and foreign currency risk are included in Note 24.

	Current		Non-current		Total	
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Floating rate obligations						
Bank borrowings – US Dollar loan	-	-	584	-	584	-
Bank borrowings – Sterling loan	-	-	285	-	285	-
Bank borrowings – Euro loan	-	-	298	-	298	-
Other loans and bank overdrafts	2	-	-	-	2	-
Unamortised finance costs	-	-	(9)	-	(9)	-
Total interest-bearing loans and borrowings	2	-	1,158	-	1,160	-

Following the settlement of all loans with Related Parties on demerger from Melrose Industries PLC, the Group drew down on new external debt facilities. The Group's committed bank facility includes a multi-currency denominated term loan of £100 million, US\$400 million and €100 million and a multi-currency denominated revolving credit facility of £350 million, US\$660 million and €450 million. Loans drawn under this facility are guaranteed by Dowlais Group plc and certain of its subsidiaries. There is no security over any of the Group's assets in respect of this facility.

The current facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half yearly, in June and December. The net debt to adjusted EBITDA covenant is effective from 31 December 2023 with the interest cover covenant test commencing on 30 June 2024. Further details on covenant compliance for the year ended 31 December 2023 are contained in Note 24.

At 31 December 2023, the term loan was fully drawn and £185 million, US\$345 million and €244 million were drawn on the multi-currency revolving credit facility. No facilities were drawn in the prior year. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

The bank margin on the bank facility depends on the Group's leverage. The average interest rate payable on the debt facilities, net of the impact of interest rate hedging, was 6.38% for the period from the initial drawdown of the debt facilities to the 31 December 2023.

20. Provisions

	Loss-making contracts £m	Property related costs £m	Environmental and litigation £m	Warranty related costs £m	Restructuring £m	Other £m	Total £m
At 1 January 2023	46	5	67	156	20	32	326
Utilised	(11)	-	(3)	(18)	(70)	(42)	(144)
Charge to operating profit ⁽¹⁾	-	-	3	25	129	44	201
Release to operating profit ⁽²⁾	(17)	-	(18)	(18)	(2)	(1)	(56)
Exchange adjustments	(1)	-	(3)	(4)	1	(2)	(9)
31 December 2023	17	5	46	141	78	31	318
Current	6	1	21	61	31	16	136
Non-current	11	4	25	80	47	15	182
	17	5	46	141	78	31	318

1. Includes £159 million of adjusting items and £42 million recognised in adjusted operating profit.

2. Includes £19 million of adjusting items and £37 million recognised in adjusted operating profit.

Loss-making contracts

Provisions for loss-making contracts are considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. This obligation has been discounted and will be utilised over the period of the respective contracts, which is up to five years.

Calculation of loss-making contract provisions is based on contract documentation and delivery expectations, along with an estimate of directly attributable costs and represents management's best estimate of the unavoidable costs of fulfilling the contract.

Utilisation during the year of £11 million (2022: £17 million) has benefited adjusted operating profit with £10 million recognised in Automotive and £1 million recognised in Powder Metallurgy. In addition, £17 million (2022: £7 million) has been released on a net basis and is shown as an adjusting item, as described in Note 6, as part of the release of fair value items split; £12 million in Automotive and £5 million in Powder Metallurgy.

Property related costs

The provision for property related costs represents dilapidation costs for ongoing leases and is expected to result in cash expenditure over the next seven years. Calculation of dilapidation obligations are based on lease agreements with landlords and external quotes or, in the absence of specific documentation, management's best estimate of the costs required to fulfil obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Provisions continued

Environmental and litigation

Environmental provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and amounted to £16 million (2022: £18 million). Liabilities for environmental costs are recognised when environmental assessments are probable and the associated costs can be reasonably estimated. The majority of the provision is anticipated to be utilised over the next 15 years.

Litigation provisions amounting to £30 million (2022: £49 million) relate to estimated future costs and settlements in relation to legal claims and associated insurance obligations. The Group has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, considering professional advice received. This represents management's best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent management's best estimate of the cost of settling future obligations and reflect management's assessment of the likely settlement method, which may change over time. However, no provision is made for proceedings which have been, or might be, brought by other parties against Group companies unless management, considering professional advice received, assess that it is more likely than not that such proceedings may be successful.

Warranty related costs

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products and subsequently updated for changes in estimates as necessary. The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations, based on past experience, recent claims and current estimates of costs relating to specific claims. Warranty terms are, on average, between one and five years.

Restructuring

Restructuring provisions relate to committed costs in respect of restructuring programmes (as described in Note 6), usually resulting in cash spend within three years. A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by either starting to implement the plan or by announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring programmes.

Other

Other provisions include long-term incentive plans for senior management and the employer tax on equity-settled incentive schemes which are expected to result in cash expenditure over the next one to five years.

Where appropriate, provisions have been discounted using discount rates depending on the territory in which the provision resides and the length of its expected utilisation.

21. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year.

	Deferred tax assets	Deferred tax liabilities			
	Tax losses and other assets £m	Accelerated capital allowances and other liabilities £m	Deferred tax on intangible assets £m	Total deferred tax liabilities £m	Total net deferred tax £m
At 1 January 2022	324	(115)	(390)	(505)	(181)
Credit/(charge) to income	13	(31)	49	18	31
(Charge)/credit to equity	(42)	15	-	15	(27)
Exchange adjustments	15	(1)	(22)	(23)	(8)
Transactions with Related Parties ¹	(10)	1	-	1	(9)
At 31 December 2022	300	(131)	(363)	(494)	(194)
Credit to income	15	16	49	65	80
Credit to equity	-	8	-	8	8
Exchange adjustments	(12)	5	11	16	4
At 31 December 2023	303	(102)	(303)	(405)	(102)

1. Related parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on the 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

Deferred tax assets and liabilities are recognised on the Balance Sheet, after offset of balances within territories in accordance with IAS 12, as follows:

	31 December 2023 £m	31 December 2022 £m
Deferred tax asset	146	99
Deferred tax liability	(248)	(293)
	(102)	(194)

A deferred tax asset of £72 million (2022: £49 million) has been recognised in respect of £234 million (2022: £167 million) of tax losses. No asset has been recognised in respect of the remaining losses of £382 million (2022: £354 million) due to the divisional and geographic split of anticipated future profit streams. Most of these losses may be carried forward indefinitely subject to certain continuity of business requirements. Where losses are subject to time expiry, a deferred tax asset is recognised to the extent that sufficient future profits are anticipated to utilise these losses. In addition to the corporate income tax losses included above, a deferred tax asset of £24 million (2022: £17 million) has been recognised on tax credits (primarily US) and US state tax losses.

Deferred tax assets have also been recognised on Group retirement benefit obligations at £53 million (2022: £62 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Deferred tax continued

There are no material unrecognised deferred tax assets at 31 December 2023 (2022: £nil), other than the losses referred to above. No deferred tax is recognised on the unremitted earnings of overseas subsidiaries except where the distribution of such profits is planned. If these earnings were remitted in full, tax of £59 million (2022: £60 million) would be payable.

22. Share-based payments

2023 Performance Share Plan (PSP)

During the year, the Company recognised a charge of £1 million (2022: £nil) in respect of the 2023 Performance Share Plan. The share-based payment arrangements are as follows:

Date of grants	2 May 2023, 10 October 2023, 15 November 2023
Number of share awards granted	6,223,292
Contractual life	3 years
Vesting condition	Three years' service, achievement of target growth in earnings per share and achievement of a total shareholder return ranking against comparator group.

Each employee share award converts into one ordinary share of the Company on vesting. No amounts are paid or payable by recipient on receipt of the award. The awards carry neither rights to dividends nor voting rights. Awards are forfeited if the employee leaves the Company before the share awards vest.

Details of the share options outstanding during the year are as follows:

	Number of share options
Outstanding at the beginning of the year	-
Granted during the year	6,223,292
Forfeited during the year	(73,632)
Outstanding at the end of the year	6,149,660

Fair value of share options and assumptions

The inputs into the Monte Carlo pricing model that were used to fair value the plan at the grant dates were as follows:

	Valuation assumptions
Weighted average share price	£1.31
Weighted average exercise price	Nil
Expected volatility	38.65%
Expected life at inception	3 years
Risk free interest rate	3.78%
Expected dividend yield	3.2%

Due to the short listing period of the Company's shares, expected volatility was determined using an average of the historic volatility of the Company's peer group share prices.

During the year, the Company received services from Melrose Industries PLC under a Transitional Service Agreement as part of the demerger process for which consideration was settled in shares of the Company. A charge of £1 million (2022: £nil) in respect of these services has been recognised in demerger costs as equivalent to the value of services rendered.

23. Retirement benefit obligations

Defined contribution plans

The Group operates defined contribution plans for qualifying employees across several jurisdictions. The assets of the plans are held separately from those of the Group in funds under the control of Trustees.

The total costs charged during the year of £12 million (2022: £13 million) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

Defined benefit plans

The Group sponsors defined benefit plans for qualifying employees of certain subsidiaries. The funded defined benefit plans are administered by separate funds that are legally separated from the Group. The Trustees of the funds are required by law to act in the interest of the fund and of all relevant stakeholders in the plans. The Trustees of the pension funds are responsible for the investment policy with regard to the assets of the fund.

The most significant defined benefit pension plans in the Group at 31 December 2023 were:

UK: GKN Group Pension Schemes (No.2 and No.3)

The GKN Group Pension Schemes (Numbers 2 and 3) are disclosed within the Automotive segment. These schemes are funded, closed to new members and were closed to future accrual in 2017. The valuation of the schemes was based on a full actuarial valuation as of 5 April 2022, updated to 31 December 2023 by independent actuaries.

US: GKN Automotive and GKN Powder Coatings Pension Plans

The GKN Automotive and GKN Powder Coatings Pension Plans are funded plans, closed to new members and closed to future accrual. The valuation of these plans was based on a full actuarial valuation as of 1 January 2023, updated to 31 December 2023 by independent actuaries.

Germany: GKN Germany Pension Plans

The GKN Germany Pension Plans provide benefits dependent on final salary and service with the Company. The plans are generally unfunded and closed to new members.

Other plans include a number of funded and unfunded defined benefit arrangements and retiree medical insurance plans, predominantly in the US and Europe.

The cost of the Group's defined benefit plans is determined in accordance with IAS 19 (revised 2011) Employee Benefits, using the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations and using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK and annually in the US and Germany.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Retirement benefit obligations continued

Contributions

The Group contributed £39 million (2022: £40 million) to defined benefit pension plans and post-employment plans in the year ended 31 December 2023. The Group expects to contribute £44 million in 2024.

Actuarial assumptions

The major assumptions used by the actuaries in calculating the Group's pension liabilities are as set out below:

	Rate of increase of pensions in payment % per annum	Discount rate %	Price inflation (RPI/CPI) %
31 December 2023			
GKN Group Pension Schemes (No.2 – No.3)	2.5	4.5	3.0/2.6
GKN US plans	n/a	4.8	n/a
GKN Europe plans	2.1	3.3	2.1/2.1
31 December 2022			
GKN Group Pension Schemes (No.2 – No.3)	2.7	4.8	3.2/2.7
GKN US plans	n/a	5.0	n/a
GKN Europe plans	2.6	3.7	2.6/2.6

Mortality

GKN Group Pension Schemes (No.2 – No.3)

The GKN Group Pension Schemes (No.2 – No.3) use the SAPS "S3PA" base tables with scheme-specific adjustments. The base table mortality assumption for each of the UK schemes reflects best estimate results from the most recent mortality experience analyses for each scheme. Weighting factors vary by scheme.

Future improvements for all UK plans are in line with the 2022 Continuous Mortality Investigation ("CMI") core projection model (SK = 7.5, A = 0%, w2020 = 0, w2021 = 0, w2022 = 25%) with a long-term rate of improvement of 1.25% p.a. for both males and females.

GKN US Consolidated Pension Plan

GKN US Pension and Medical Plans use base mortality tables (PRI 2012) as used in the 2023 funding valuation. Future improvements for all US plans are in line with MP2021.

GKN Germany Pension Plans

All German plans use the Richttafeln 2018 G tables, with no adjustment.

The following table shows the future life expectancy of individuals aged 65 at the year end and the future life expectancy of individuals aged 65 in 20 years' time.

	GKN Group Pension Schemes (No.2.–No.3) years	GKN US Consolidated Pension Plan years	GKN Germany Pension Plans years
Male today	21.3	19.7	20.8
Female today	23.3	21.6	24.2
Male in 20 years' time	22.2	21.2	23.5
Female in 20 years' time	24.7	23.1	26.4

Balance Sheet disclosures

The amounts recognised in the Consolidated Balance Sheet in respect of defined benefit plans were as follows:

	31 December 2023 £m	31 December 2022 £m
Present value of funded defined benefit obligations	(786)	(780)
Fair value of plan assets	775	779
Funded status	(11)	(1)
Present value of unfunded defined benefit obligations	(446)	(460)
Asset ceiling	(2)	–
Net liabilities	(459)	(461)
Analysed as:		
Retirement benefit surplus (non-current assets) ⁽¹⁾	27	42
Retirement benefit obligations (non-current liabilities)	(486)	(503)
Net liabilities	(459)	(461)

1. Includes a surplus relating to the GKN Group Pension Scheme (No.2) of £25 million (2022: £40 million) and the Japan Employee plan of £2 million (2022: £2 million).

A retirement benefit surplus is recognised in relation to the GKN Group Pension Scheme (No.2) as the Group has an unconditional right to a refund of surplus assets when there are no remaining members of the scheme.

The net retirement benefit obligation is attributable to Automotive: liability of £430 million (2022: £427 million) and Powder Metallurgy: liability of £29 million (2022: £34 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Retirement benefit obligations continued

The plan assets and liabilities at the year end were as follows:

	UK Plans £m	US Plans £m	European Plans £m	Other Plans £m	Total £m
31 December 2023					
Plan assets	665	73	16	21	775
Plan liabilities	(672)	(118)	(416)	(26)	(1,232)
Asset ceiling	-	-	-	(2)	(2)
Net liabilities	(7)	(45)	(400)	(7)	(459)

The plan assets and liabilities at the previous year end were as follows:

	UK Plans £m	US Plans £m	European Plans £m	Other Plans £m	Total £m
31 December 2022					
Plan assets	666	73	19	21	779
Plan liabilities	(651)	(127)	(433)	(29)	(1,240)
Net liabilities	15	(54)	(414)	(8)	(461)

The major categories and fair values of plan assets at the end of the year for each category were as follows:

	31 December 2023 £m	31 December 2022 £m
Equities	56	54
Government bonds	404	310
Corporate bonds	85	72
Property	7	7
Insurance contracts	13	14
Multi-strategy/Diversified growth funds	116	121
Private equity	15	41
Other ⁽¹⁾	79	160
Total	775	779

1. Primarily consists of cash collateral and other assets associated with liability driven investments in the UK schemes.

The assets were well diversified and the majority of plan assets had quoted prices in active markets. All government bonds were issued by reputable governments and were generally AA rated or higher. Interest rate and inflation rate swaps were also employed to complement the role of fixed and index-linked bond holdings for liability risk management.

The Trustees continually review whether the chosen investment strategy is appropriate with a view to providing the pension benefits and to ensure appropriate matching of risk and return profiles. The main strategic policies included maintaining an appropriate asset mix, managing interest rate sensitivity and maintaining an appropriate equity buffer. Investment results are regularly reviewed.

Movements in the present value of defined benefit obligations during the year:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	1,240	1,733
Current service cost	6	9
Interest cost on obligations	53	31
Remeasurement losses – demographic	-	1
Remeasurement losses/(gains) – financial	18	(508)
Remeasurement losses – experience	1	44
Benefits paid out of plan assets	(67)	(61)
Benefits paid out of Group assets for unfunded plans	-	(18)
Transfers ⁽¹⁾	-	(5)
Settlements	-	(35)
Exchange adjustments	(19)	49
At 31 December	1,232	1,240

1. Effective as at 1 January 2022, the Group transferred part of the GKN post-retirement medical plan to an entity controlled by Melrose Industries PLC but outside of the Melrose Group. This resulted in a reduction of £5 million in the retirement benefit obligation. There were no assets associated with the scheme, with consideration being settled through loans with Related Parties.

The defined benefit plan liabilities were 17% (2022: 18%) in respect of active plan participants, 23% (2022: 23%) in respect of deferred plan participants and 60% (2022: 59%) in respect of pensioners.

The weighted average duration of the defined benefit plan liabilities at 31 December 2023 was 13 years (31 December 2022: 13 years).

Movements in the fair value of plan assets during the year:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	779	1,205
Interest income on plan assets	36	25
Loss on plan assets, excluding interest income	(3)	(391)
Contributions	39	22
Benefits paid out of plan assets	(67)	(61)
Plan administrative costs	(3)	(4)
Settlements	-	(33)
Exchange adjustments	(6)	16
At 31 December	775	779

The actual return on plan assets was a gain of £33 million (2022: loss of £366 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Retirement benefit obligations continued

Income Statement disclosures

Amounts recognised in the Consolidated Income Statement in respect of these defined benefit plans were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Included within operating (loss)/profit:		
– current service cost	6	9
– settlement gains ⁽¹⁾	-	(2)
– plan administrative costs	3	4
Included within net finance costs:		
– interest cost on defined benefit obligations	53	31
– interest income on plan assets	(36)	(25)

1. Settlement gains for the year ended 31 December 2022 were presented as an adjusting item within restructuring costs.

Statement of Comprehensive Income disclosures

Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of these defined benefit plans were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Loss on plan assets, excluding interest income	(3)	(391)
Remeasurement losses arising from changes in demographic assumptions	-	(1)
Remeasurement (losses)/gains arising from changes in financial assumptions	(18)	508
Remeasurement losses arising from experience adjustments	(1)	(44)
Net remeasurement (loss)/gain on retirement benefit obligations	(22)	72

Risks and sensitivities

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity specific or plan specific risks.

A sensitivity analysis on the principal assumptions used to measure the plan liabilities at the year end was as follows:

	Change in assumption	Decrease/ (increase) to plan liabilities £m	Increase/ (decrease) to profit before tax £m
Discount rate	Increase by 0.5 ppts	71	1
	Decrease by 0.5 ppts	(78)	(1)
Inflation assumption ⁽¹⁾	Increase by 0.5 ppts	(49)	n/a
	Decrease by 0.5 ppts	46	n/a
Assumed life expectancy at age 65 (rate of mortality)	Increase by 1 year	(43)	n/a
	Decrease by 1 year	42	n/a

1. The inflation sensitivity encompasses the impact on pension increases and salary increases, where applicable.

The sensitivity analysis above was determined based on reasonably possible changes to the respective assumptions, while holding all other assumptions constant. There has been no change in the methods or assumptions used in preparing the sensitivity analysis from prior years. Sensitivities are based on the relevant assumptions and membership profile as at 31 December 2023 and are applied to obligations at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation to the sensitivity of assumptions shown. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate and the sensitivity analysis presented may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the Group. This case is subject to appeal and the impact (if any) is not known and will be assessed as relevant in future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial instruments and risk management

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their carrying values at 31 December 2023 and 31 December 2022:

	Current £m	Non-current £m	Total £m
31 December 2023			
Financial assets			
Classified as amortised cost:			
Cash and cash equivalents	313	-	313
Net trade receivables	460	-	460
Classified as fair value:			
Derivative over own equity ⁽¹⁾	-	28	28
Derivative financial assets			
Foreign currency forward contracts	43	4	47
Interest rate swaps	2	4	6
Financial liabilities			
Classified as amortised cost:			
Interest-bearing loans and borrowings	(2)	(1,158)	(1,160)
Lease obligations	(25)	(126)	(151)
Other financial liabilities	(1,063)	(11)	(1,074)
Classified as fair value:			
Derivative financial liabilities			
Foreign currency forward contracts	(4)	(1)	(5)
Interest rate swaps	-	(3)	(3)

1. Included within other financial assets.

31 December 2022

Financial assets

Classified as amortised cost:

Cash and cash equivalents	270	-	270
Net trade receivables	511	-	511
Loans receivable from Related Parties ⁽²⁾	-	2,826	2,826

Classified as fair value:

Derivative financial assets			
Foreign currency forward contracts	24	9	33

Financial liabilities

Classified as amortised cost:

Loans payable to Related Parties ⁽²⁾	(2,176)	-	(2,176)
Lease obligations	(25)	(134)	(159)
Other financial liabilities	(1,149)	(20)	(1,169)

Classified as fair value:

Derivative financial liabilities			
Foreign currency forward contracts	(10)	(2)	(12)

2. Related parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-group entities controlled by Melrose Industries PLC.

The fair value of the derivative financial instruments is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within level 2 of the fair value hierarchy set out in IFRS 13 Fair Value Measurement. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels during the current year.

The fair value of the derivative over own equity is derived from unobservable inputs and as such is classified as level 3 of the fair value hierarchy set out in IFRS 13. Inputs to the valuation include the terms of the contract under which the asset arises, the Company's current share price and expected volatility in the share price. The asset value is most sensitive to movements in the Company's share price. A 10% reduction in the Company's share price would result in a £2 million reduction in the fair value of the asset.

As detailed in the accounting policies (Note 2) the asset was initially recorded directly in equity with subsequent revaluations recognised in the Income Statement. In the current year a loss of £1 million was recorded within interest expense in relation to fair value changes on the derivative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial instruments and risk management continued

Fair values

Management consider that the financial assets and financial liabilities have fair values not materially different to the carrying values.

Credit risk

The Group's principal financial assets were cash and cash equivalents, trade receivables and derivative financial assets which represented the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk on cash and cash equivalents and derivative financial assets was limited because the ultimate counterparties were banks with investment grade credit ratings assigned by international credit rating agencies. Exposure is managed on the basis of risk rating and counterparty limits. The value of credit risk in derivative assets has been modelled using publicly available inputs as part of their fair value.

The Group's credit risk was therefore primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet were net of an allowance for expected credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Note 16 provides further details regarding the recovery of trade receivables.

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of net debt, as disclosed in Note 26, and equity attributable to the owners of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Liquidity risk management

Overview of banking facilities

The Group's committed bank facility includes a multi-currency denominated term loan of £100 million, US\$400 million and €100 million and a multi-currency denominated revolving credit facility of £350 million, US\$660 million and €450 million. Loans drawn under this facility are guaranteed by Dowlais Group plc and certain of its subsidiaries. There is no security over any of the Group's assets in respect of this facility.

At 31 December 2023, the term loan was fully drawn and £185 million, US\$345 million and €244 million were drawn on the multi-currency revolving credit facility. There are also a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Group.

Cash amounted to £313 million at year end and is offset to arrive at the Group net debt position of £847 million. The combination of this cash and the headroom on the revolving credit facility allows the Directors to consider that the Group has sufficient access to liquidity for its current needs. The Board takes careful consideration of counterparty risk with banks when deciding where to place cash on deposit.

Covenants

The committed bank funding has two financial covenants, being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half-yearly in June and December following commencement in December 2023 and June 2024 respectively.

The net debt to adjusted EBITDA covenant test level is 3.50x and as at 31 December 2023, the Group net debt leverage was 1.4x.

The interest cover bank covenant does not come into effect until June 2024.

Maturity of financial liabilities (excluding currency contracts)

The table below shows the maturity profile of anticipated future cash flows, including interest, on an undiscounted basis in relation to the Group's financial liabilities. The amounts shown therefore differ from the carrying value and fair value of the Group's financial liabilities.

	Interest-bearing loans and borrowings £m	Loans payable to Related Parties £m	Interest rate derivative financial liabilities £m	Finance lease obligations £m	Other financial liabilities £m	Total financial liabilities £m
Within one year	78	-	-	31	1,063	1,172
In one to two years	76	-	2	26	11	115
In two to five years	1,279	-	1	47	-	1,327
After five years	-	-	-	92	-	92
Total anticipated cash flows	1,433	-	3	196	1,074	2,706
Effect of financing	(273)	-	-	(45)	-	(318)
31 December 2023	1,160	-	3	151	1,074	2,388
Within one year	-	2,176	-	32	1,149	3,357
In one to two years	-	-	-	22	20	42
In two to five years	-	-	-	43	-	43
After five years	-	-	-	113	-	113
Total anticipated cash flows	-	2,176	-	210	1,169	3,555
Effect of financing	-	-	-	(51)	-	(51)
31 December 2022	-	2,176	-	159	1,169	3,504

Working capital

The Group has a small number of uncommitted working capital programmes, which provide favourable financing terms on eligible customer receipts and competitive financing terms to suppliers on eligible supplier payments.

Businesses that participate in these customer related finance programmes have the ability to choose whether to receive payment earlier than the normal due date, for specific customers on a non-recourse basis. As at 31 December 2023, the drawings on these facilities were £178 million (2022: £187 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial instruments and risk management continued

Working capital continued

Some suppliers may utilise the Group's supplier finance programmes, which are provided by a limited number of the Group's relationship banks. There is no cost to the Group for providing these programmes to its suppliers. These arrangements do not change the date suppliers are due to be paid by the Group, and therefore there is no additional impact on the Group's liquidity. These programmes allow suppliers to choose, at their sole discretion, whether they want to accelerate the payment of their invoices, by the financing banks, for an interest cost which is competitive and based on the credit rating of the Group as determined by the financing banks funding each programme. The amounts owed to the banks are included in trade payables on the Balance Sheet and the cash flows are presented in cash flows from operating activities. The arrangements do not change the timing of the Group's cash outflows. The amounts drawn on these facilities as at 31 December 2023 were £106 million (2022: £125 million).

Finance cost risk management

The bank margin on the bank facility depends on the Group's leverage. Management performs periodic reviews of the Group's interest rate exposure and fix a proportion of the exposure as deemed necessary at that time. As at 31 December 2023, 55% of the Group's interest exposure was fixed.

Interest rate risk

Cash flow hedges

The interest rate swaps are designated as cash flow hedges and were highly effective from inception in April 2023 (US Dollar) and July 2023 (Euro). They are used to hedge against the risk of interest rate fluctuation on the US Dollar and Euro floating rate debt. The fair value of the interest rate swaps as at 31 December 2023, was a net asset of £3 million (31 December 2022: £nil). The movement of £3 million for the year ended 31 December 2023 (2022: £nil) comprised of a credit of £1 million (2022: £nil) booked to derivatives gains on hedge relationships within other comprehensive income, £6 million credit (2022: £nil) booked to interest in the Income Statement, and a cash inflow of £4 million (2022: £nil).

There is an economic relationship between the hedged item and the hedging instrument in relation to SOFR and EURIBOR interest cash flows. The Group has established a hedge ratio of 1:1 for the hedging relationships based on the notional of the hedging instrument and the hedged item. Group management performs periodic prospective effectiveness assessments to determine hedge effectiveness.

Hedge ineffectiveness may occur due to:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments; or
- Mismatches in payment frequency and/or reset dates.

During the year ended 31 December 2023, some of the critical terms of the interest rate swaps and the hedged items were not perfectly matched; however, this did not give rise to any ineffectiveness through the Consolidated Income Statement in the year (2022: £nil).

Interest rate sensitivity analysis

Assuming the net debt, inclusive of interest rate swaps, held as at the balance sheet date was outstanding for the whole year, a one percentage point rise in market interest rates for all currencies would increase/(decrease) profit before tax by the following amounts:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Sterling	(3)	3
US Dollar	(1)	(13)
Euro	(1)	16

On the basis of the floating-to-fixed interest rate swaps in place at the balance sheet date, a one percentage point fall in market interest rates for all currencies would have a pre-tax impact of decreasing Group equity by £18 million.

Exchange rate risk management

The Group trades in various countries around the world and is exposed to movements in a number of foreign currencies. The Group therefore carries exchange rate risk that can be categorised into three types: transaction, translation and disposal related risk as described in the paragraphs below. The Group's policy is designed to protect against the majority of the cash risks but not the non-cash risks.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the relevant business. The Group's policy is to review transactional foreign exchange exposures, and place appropriate hedging contracts, quarterly on a rolling basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed, the Group will hedge up to 100% at the time that the cash flow becomes committed. For forecast and variable material cash flows, the Group hedges a proportion of the expected cash flows on a phased basis over a time horizon of up to two years in accordance with the Group's treasury policy. The average time horizons for GKN Automotive and GKN Powder Metallurgy reflect the long-term nature of the contracts within these divisions. Typically, in total the Group hedges a minimum of 70% of foreign exchange exposures expected over the following year, and 40% to 60% of exposures between one and two years. This policy reduces, but does not eliminate, the cash risk.

The translation rate risk is the effect on the Group's results in the year due to the movement in exchange rates used to translate results in foreign currencies into Sterling from one period to the next. No specific exchange instruments are used to protect against the translation risk because until foreign currency is converted to Sterling, this is a non-cash risk to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial instruments and risk management continued

Exchange rate risk management continued

Finally, exchange rate risk arises when a business that reports in a currency, other than Sterling, is sold. The proceeds for those businesses may be received in a foreign currency and therefore an exchange rate risk may arise on conversion of the foreign currency proceeds into Sterling. Protection against this risk is considered on a case-by-case basis and, if appropriate, hedged at that time.

As at 31 December 2023, the Group held foreign exchange forward and swap contracts to mitigate expected exchange rate fluctuations on future cash flows from sales to customers and purchases from suppliers. The fair value of all foreign exchange forward and swap contracts across the Group was a net asset at 31 December 2023 of £42 million (2022: £21 million).

The following table shows the maturity profile of undiscounted contracted gross cash outflows of derivative financial liabilities used to manage currency risk:

	0-1 year £m	1-2 years £m	Total £m
Year ended 31 December 2023			
Foreign exchange forward contracts	74	54	128
Foreign exchange swap contracts	9	-	9
Year ended 31 December 2022			
Foreign exchange forward contracts	208	46	254

Hedge of net investment in foreign operations

The interest-bearing loans as at 31 December 2023 (Note 19) include US Dollar borrowings of US\$745 million and Euro borrowings of €344 million, which have been designated as hedges of the Group's net investments in 15 US Dollar-denominated subsidiaries and nine Euro-denominated subsidiaries respectively. These borrowings are used to hedge the Group's exposure to the foreign exchange risk on these investments. Gains or losses on the retranslation of these borrowing are recorded in other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that matches the risks of foreign exchange fluctuation on the borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The Group performs periodic prospective effectiveness assessments to determine hedge effectiveness.

Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7 Financial instruments: Disclosures as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the increase in Group operating profit caused by a 10% strengthening of the US Dollar, Euro and Mexican Peso against Sterling compared to the year-end spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The Group operates in a range of different currencies, and those with a notable impact are shown below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
US Dollar	3	1
Euro	1	-
Mexican Peso	4	4

The following table details the impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the decrease in the Group's equity caused by a 10% strengthening of the US Dollar and Euro against Sterling. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant.

	31 December 2023 £m	31 December 2022 £m
US Dollar	(12)	(3)
Euro	(11)	(5)

In addition, the change in equity due to a 10% strengthening of the US Dollar against Sterling for the translation of net investment hedging instruments would be a decrease of £58 million (2022: £nil) and for the Euro, a decrease of £30 million (2022: £nil). However, there would be no overall effect on equity because there would be an offset in the currency translation of the foreign operations.

Fair value measurements recognised in the Balance Sheet

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts.

Interest rate swap contracts are measured using yield curves derived from quoted interest and foreign exchange rates.

Derivative financial assets and liabilities are presented within the Balance Sheet as:

	31 December 2023 £m	31 December 2022 £m
Non-current assets	8	9
Current assets	45	24
Current liabilities	(4)	(10)
Non-current liabilities	(4)	(2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Financial instruments and risk management continued

Hedge accounted derivatives

The following table sets out details of the Group's material cash flow hedging instruments where hedge accounting is applied at the balance sheet date:

	Average fixed rate		Notional principal		Fair value of assets/ (liabilities)	
	31 December 2023 %	31 December 2022 %	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Cash flow hedging Instruments						
Cash flow hedge - Interest rate risk						
Pay fixed, receive floating interest rate swaps						
USD Interest rate swaps						
Within one year	-	-	-	-	2	-
In two to five years	3.43%	-	470	-	3	-
EUR interest rate swaps						
In two to five years	3.48%	-	174	-	(2)	-
Total		-	644	-	3	-

All cash flow hedging instruments are booked in the Balance Sheet as derivative financial assets or derivative financial liabilities.

The fair value of derivative financial instruments is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within Level 2 of the fair value hierarchy set out in IFRS 13. The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels in the year.

The following table sets out details of the Group's material hedging relationships at the balance sheet date where hedge accounting is applied:

	Change in fair value for calculating ineffectiveness		Balance in hedging and translation reserves for continuing hedges	
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Cash flow hedge - interest rate risk				
Hedged items				
Floating rate borrowings	(1)	-	n/a	-
Hedging instruments				
US Dollar Interest rate swaps	4	-	4	-
Euro Interest rate swaps	(3)	-	(3)	-
Net investment hedge				
Hedged items				
Net assets of designated investments	(20)	-	(20)	-
Hedging instruments				
US Dollar floating rate debt	15	-	15	-
Euro floating rate debt	5	-	5	-

There are no balances held in hedging reserves from relationships for which hedge accounting is no longer applied.

Impact of hedging on equity

The following table sets out the reconciliation for each component of the hedging reserve and the analysis of associated other comprehensive income.

	Cash flow hedge reserve £m	Net investment hedge reserve £m	Total hedging recognised in equity £m
At 1 January 2023	-	-	-
Effective portion of changes in fair value arising from:			
Interest rate swaps	1	-	1
Foreign currency revaluation of the US Dollar floating rate loan	-	15	15
Foreign currency revaluation of the Euro floating rate loan	-	5	5
Tax impact	-	(5)	(5)
At 31 December 2023	1	15	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Issued share capital and reserves

Share capital

	31 December 2023 £m	31 December 2022 £m
Share Capital		
Allotted, called-up and fully paid		
1,393,273,527 ordinary shares of 1p each	14	-
	14	-

On 13 January 2023 the Company was incorporated with an initial share capital of one ordinary £1 share issued at par.

On 19 January 2023 the Company issued, for cash consideration, a further 49,999 ordinary £1 shares at par.

On 28 February 2023 the Company subdivided the 50,000 issued £1 ordinary shares into 5,000,000 ordinary shares of £0.01 (one pence) each.

On 28 February 2023 the Company issued 1,388,273,527 ordinary shares of £0.01 each to Melrose Industries PLC ("Melrose") in consideration for the entire shareholding of G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited. This resulted in a total issued share capital of 1,393,273,527 ordinary shares of £0.01 each.

As permitted under sections 611(4) and 615 of the Companies Act 2006, the issue of ordinary shares and the cost of investments in G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited has been measured at the cost of those investments in the transferor company (Melrose). The value of the consideration for the shares allotted is the amount by which the value of the assets transferred exceeds the value of any liabilities assumed by the Company as part of the consideration for the assets transferred. The value of the G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited was £1,084 million and this was initially recognised as share capital of £14 million and share premium of £1,070 million.

On 20 April 2023, Melrose made a distribution to its shareholders of the Company's shares with one Dowlais share issued for every Melrose share held. On the same day, the Company's shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trading on the London Stock Exchange's main market for listed securities.

Share premium

On 1 August 2023, the Company undertook a court-approved capital reduction in accordance with section 645 of the Companies Act 2006, through which the Company's share premium of £1,070 million was cancelled in full. The Order of the High Court of Justice, Chancery Division, was registered at Companies House and became effective from 3 August 2023. In accordance with IS 2008 No 1915 The Companies (Reduction of Share Capital) Order 2008 this resulted in a credit to the distributable reserves of the Company of £1,070 million.

Own shares

On 31 May 2023 an Employee Benefit Trust (EBT) established for the benefit of certain employees of the Group purchased 5,575,630 shares in the capital of the Company to the value of £7 million to be held for the purpose of settling awards vesting under the Group's share incentive scheme.

Translation reserve

The translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than pound Sterling together with exchange differences arising on debt financial instruments which have been designated as hedges of net investment.

Hedging reserve

The hedging reserve contains the effective portion of any gains or losses from revaluation of interest rate swap contracts which have been designated as cash flow hedging instruments.

26. Cash flow statement

Reconciliation of operating (loss)/profit to net cash from operating activities

	Notes	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Operating (loss)/profit		(450)	58
Adjusting items	6	805	275
Adjusted operating profit	6	355	333
Adjustments for:			
Depreciation & impairment of property, plant and equipment		253	251
Amortisation of computer software and development costs		10	10
Share of adjusted operating profit of equity accounted investments	14	(81)	(78)
Gain on disposal of non-current assets		(10)	(11)
Share-based payment expense		1	-
Restructuring costs paid and movements in provisions		(100)	(149)
Demerger costs paid		(48)	-
Defined benefit pension costs charged		9	13
Defined benefit pension contributions paid		(39)	(40)
Change in inventories		(36)	(33)
Change in receivables		6	(102)
Change in payables		48	103
Corporation tax paid		(61)	(72)
Interest paid on loans and borrowings		(62)	(6)
Interest paid on lease obligations		(6)	(6)
Acquisition related costs and associated transaction taxes		-	(3)
Net cash from operating activities		239	210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Cash flow statement continued

Reconciliation of cash and cash equivalents, net of bank overdrafts

	31 December 2023 £m	31 December 2022 £m
Cash and cash equivalents per Balance Sheet	313	270
Bank overdrafts included within current loan payable to Related Parties	-	(7)
Cash and cash equivalents, net of bank overdrafts per Statement of Cash Flows	313	263

Reconciliation of liabilities arising from financing activities

As at 31 December 2022, liabilities arising from financing activities, as defined by IAS 7 Statement of Cash Flows, totalled £2,328 million comprising; loans payable to Related Parties of £2,169 million (excluding bank overdrafts) and lease obligations of £159 million. Assets arising from financing activities totalled £2,826 million of loans receivable from Related Parties.

During the year, cash transactions on financing balances totalled a net cash inflow £56 million. This comprised an outflow relating to the settlement of loans payable to and receivable from Related Parties of £1,096 million (excluding bank overdrafts), net drawdowns on external debt facilities of £1,189 million, a cash outflow of £12 million relating to the costs of raising debt finance and the repayment of finance lease principal of £25 million.

Non-cash transactions included a £51 million reduction in liabilities due to foreign exchange movements, £1,775 million increase in financial liabilities due to non-cash transactions on Related Party loans, £3 million increase in liabilities due to the amortisation of debt issue costs and £26 million increase in lease liabilities due to new leases and the reassessment of existing lease liabilities. Non-cash transactions on Related Party loans related to transactions with Melrose Industries PLC prior to demerger and included the declaration of the £1,675 million dividend to Related Parties.

As at 31 December 2023, liabilities arising from financing activities, as defined by IAS 7, totalled £1,311 million comprising interest-bearing loans and borrowings of £1,160 million (excluding bank overdrafts of £nil) and lease obligations of £151 million.

Net debt reconciliation

Net debt at the balance sheet date consists of interest-bearing loans and borrowings and cash and cash equivalents. This measure is aligned with the Group's banking covenants. Currency denominated balances within net debt are translated to Sterling at the balance sheet rate. In the prior year, net funds consisted of loans payable to and receivable from Related Parties and cash and cash equivalents.

Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of interest-bearing loans and borrowings (current and non-current) and cash and cash equivalents.

A reconciliation from the most directly comparable IFRS measure to net debt is given below:

	31 December 2023 £m	31 December 2022 £m
Interest-bearing loans and borrowings – due within one year	(2)	-
Interest-bearing loans and borrowings – due after one year	(1,158)	-
Loans payable to Related Parties – due within one year	-	(2,176)
Loan receivable from Related Parties – due after one year	-	2,826
Total (debt)/funds	(1,160)	650
Less:		
Cash and cash equivalents	313	270
Net (debt)/funds	(847)	920

The table below shows the key components of the movement in net debt:

	31 December 2022 £m	At 31 December 2022 £m	Cash flow £m	Other non-cash movements £m	Effect of foreign exchange £m	31 December 2023 £m	At 31 December 2023 £m
Loans with Related Parties (excluding bank overdrafts) ⁽¹⁾	657	1,096	(1,775)	22	-	-	-
External debt (excluding bank overdrafts)	-	(1,177)	(3)	20	(1,160)	(1,160)	(1,160)
Cash and cash equivalents, net of bank overdrafts	263	68	-	(18)	313	313	313
Net (debt)/funds	920	(13)	(1,778)	24	(847)	(847)	(847)

1. Loans with Related Parties were presented gross in the Balance Sheet as they did not meet the IAS 32 offset criteria at the balance sheet date. Prior to demerger, all loans with Related Parties were used for financing purposes.

Other non-cash movements with Related Parties include a £1,675 million declared dividend as well as other income and charges with the Melrose Industries PLC group which were added to the loan accounts prior to demerger. Cash flows with Related Parties include all financing transactions up to the date of demerger, including settlement of the final loan balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. Commitments

Amounts payable under lease obligations:

	31 December 2023 £m	31 December 2022 £m
Minimum lease payments		
Amounts payable:		
Within one year	31	32
After one year but within five years	73	65
Over five years	92	113
Less: future finance charges	(45)	(51)
Present value of lease obligations	151	159
Analysed as:		
Amounts due for settlement within one year	25	25
Amount due for settlement after one year	126	134
Present value of lease obligations	151	159

It is the Group's policy to lease certain of its property, plant and equipment. The average lease term is ten years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under lease arrangements are secured by the lessors' rights over the leased assets.

The table below shows the key components in the movement in lease obligations.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	159	163
Additions	27	14
Interest charge	6	6
Reassessment of lease obligation	(1)	-
Payment of principal	(25)	(22)
Payment of interest	(6)	(6)
Disposals	-	(4)
Exchange adjustments	(9)	8
At 31 December	151	159

Capital commitments

At 31 December 2023, there were commitments of £42 million (2022: £50 million) relating to the acquisition of new plant and machinery.

28. Related parties

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Short-term employee benefits	19	3
Share-based payments	1	-
	20	3

Transactions between companies within the Group, which are Related Parties, have been eliminated on aggregation and are not disclosed in this note. Sales to and purchases from Group companies are priced on an arm's length basis and generally are settled on 30 day terms.

Transactions and balances between the Group and its Related Parties, being Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023, and other non-Group entities controlled by Melrose Industries PLC, are classified as related party transactions up until the date of demerger. Transactions primarily relate to royalties paid, dividends paid and interest payable on loans with Related Parties.

Amounts recognised in the Balance Sheet in respect of these related party transactions were as follows:

	31 December 2023 £m	31 December 2022 £m
Amounts receivable from Related Parties	-	2,829
Amounts payable to Related Parties	-	(2,189)

Amounts receivable from Related Parties were included within loans receivable from Related Parties (2022: £2,826 million) and trade and other receivables (2022: £3 million). Loans receivable from Related Parties were unsecured, accumulated interest in the range of 0% to 7% and were repayable on demand with no fixed date of repayment.

Amounts payable to Related Parties were included within loans payable to Related Parties (2022: £2,176 million) and trade and other payables (2022: £13 million). Loans payable to Related Parties were unsecured, accumulated interest in the range of 1% to 5% and were repayable on demand with no fixed date of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Related parties continued

Amounts recognised in the Income Statement in respect of these related party transactions were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Interest payable to Related Parties	(8)	(22)
Charges payable to the Related Parties	-	(9)

Amounts recognised in the Statement of Changes in Equity in respect of these related party transactions were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Charges received from non-Group entities ⁽¹⁾	-	(1)
Reorganisation in respect of non-Group entities	(57)	(105)
Tax effect of transactions with Related Parties	-	(4)
Total transactions with Related Parties	(57)	(110)

1. The prior year includes an expense of £2 million as an allocation of corporate costs considered to be attributable to the Group. No allocation was made for the current year.

Reorganisation in respect of Related Parties includes the initial recognition of a derivative over own equity of £29 million, reorganisational steps taken as part of the demerger, as well as other income and charges with entities in the Melrose Industries PLC Group prior to the demerger on 20 April 2023.

Dividends of £1,675 million were paid to GKN Enterprise Limited, a member of the Melrose Industries PLC Group on 23 February 2023 (Note 10).

29. Contingent liabilities

As a result of historical acquisitions, certain contingent legal and warranty liabilities were identified as part of the fair value review of these acquisition balance sheets. Whilst it is difficult to reasonably estimate the timing and ultimate outcome of these claims, the Directors' best estimate has been included in the Consolidated Balance Sheet where they existed at the time of acquisition and hence were recognised in accordance with IFRS 3 Business combinations. Where a provision has been recognised, information regarding the different categories of such liabilities and the amount and timing of outflows is included within Note 20.

Given the nature of the Group's business many of the Group's products have a large installed base, and any recalls or reworks related to such products could be particularly costly. The costs of product recalls or reworks are not always covered by insurance. Recalls or reworks may have a material adverse effect on the Group's financial condition, results of operations and cash flows.

The Group has contingent liabilities representing guarantees and contract bonds given in the ordinary course of business on behalf of trading subsidiaries. No losses are anticipated to arise on these contingent liabilities. The Group does not have any other significant contingent liabilities.

30. Post balance sheet events

There were no material post balance sheet events arising.

COMPANY BALANCE SHEET

	Notes	31 December 2023 £m
Fixed assets		
Investment in subsidiaries	4	1,085
Other financial assets	5	28
Total assets		1,113
Creditors:		
Amounts falling due within one year	6	(50)
Net current liabilities		(50)
Total assets less current liabilities		1,063
Capital and reserves		
Issued share capital	7	14
Own shares		(7)
Retained earnings		1,056
Shareholders' funds		1,063

The Company reported a loss for the financial period ended 31 December 2023 of £26 million.

The financial statements were approved by the Board of Directors on 20 March 2024 and were signed on its behalf by:



Roberto Fioroni

Chief Financial Officer

20 March 2024

Registered number: 14591224

COMPANY STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Shareholders' funds £m
At 13 January 2023	-	-	-	-	-
Loss for the period (Note 3)	-	-	-	(26)	(26)
Total comprehensive loss	-	-	-	(26)	(26)
Issue of shares	14	1,070	-	-	1,084
Capital reduction	-	(1,070)	-	1,070	-
Transactions with shareholders ⁽¹⁾	-	-	-	29	29
Purchase of own shares ⁽²⁾	-	-	(7)	-	(7)
Dividends paid	-	-	-	(19)	(19)
Equity-settled share-based payments	-	-	-	2	2
At 31 December 2023	14	-	(7)	1,056	1,063

1. The Company entered into an agreement with Melrose Industries PLC, the Company's then ultimate parent (prior to the demerger on 20 April 2023) in its capacity as shareholder. Under the terms of the agreement, shares in the Company may be returned to the Company at nil cost. See Note 1 for further details.
2. On 31 May 2023 the Company gave a loan to the Group's Employee Benefit Trust (the 'Trust') to enable the Trust to purchase the Company's shares. These shares are to be held in the Trust for the purpose of settling awards vesting under the Company's share incentive scheme.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Material accounting policies

Basis of accounting

Dowlais Group plc (the “Company”) is a public company limited by shares. The Company is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the Company’s registered office is 2nd Floor Nova North, 11 Bressenden Place, London, United Kingdom, SW1E 5BY.

The principal activity of the Company is to act as the ultimate parent holding company for the Company’s direct and indirect subsidiaries (referred to as the “Dowlais Group”). The nature of the Group’s operations and its principal activities are set out in the Strategic Report.

The Company was incorporated as a public limited company on 13 January 2023 with the name Dowlais Group Headquarters plc. The Company subsequently changed its name to Dowlais Group plc on 3 February 2023.

The Financial Statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The functional currency of the Company is considered to be pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

Dowlais Group plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements. Dowlais Group plc is consolidated in its Group Financial Statements. Exemptions have been taken in these separate Company Financial Statements in relation to share-based payments, presentation of a cash flow statement, the remuneration of key management personnel and financial instruments.

Going concern

The Financial Statements have been prepared on a going concern basis as the Directors consider that adequate resources exist for the Company to continue in operational existence for a period of not less than 12 months from the date of this report.

The Group’s liquidity and funding arrangements are described in the Financial Review on page 22. There is significant financing headroom at 31 December 2023 (c. £0.6 billion) and throughout the going concern forecast period. Forecast covenant compliance is considered further below.

Covenants

The current facility has two financial covenants being a net debt to adjusted EBITDA covenant and an interest cover covenant, both of which are tested half yearly, in June and December following commencement in December 2023 and June 2024 respectively.

The financial covenants for the going concern period are as follows:

	31 December 2023	30 June 2024	31 December 2024
Net debt to adjusted EBITDA	3.50x	3.50x	3.50x
Interest cover	n/a	4.00x	4.00x

Testing

In concluding that the going concern basis is appropriate, the Directors have modelled the impact of a ‘worst case scenario’ to the ‘base case’ by including an aggregation of the same three plausible but severe downside risks also used for the Group’s Viability Statement.

The base case takes into account the estimated impact of end market and operational factors, including supply chain and inflationary challenges throughout the going concern period. Climate related risks have also been considered, including estimating the expected transition from internal combustion engines to electric vehicles and considering potential risks to the Group’s infrastructure resulting from extreme weather or climate events.

As set out in more detail in the Viability Statement (on page 78), the three downside scenarios modelled were (i) economic shock/downturn, (ii) losing a key market, product or customer and (iii) significant contract delivery issues, including a cyber attack scenario.

Throughout the period covered, financing headroom was at least £400 million and the Group’s leverage was no higher than 2.8x, indicating that the Group would comfortably remain within covenant limits. Finally, a reverse stress test was performed which demonstrated that a significant reduction in revenue and profit in 2024, still assuming no mitigating actions, would be required before the Group breached its leverage and interest covenants.

Even after applying significant downside risk scenarios in aggregation, no covenant is forecast to be breached at the relevant testing dates being 30 June 2024 and 31 December 2024, and the Group would not expect to require any additional sources of finance. Testing at 30 June 2025 is also expected to be favourable under the terms of existing facilities.

Investments in subsidiaries

Investments in subsidiaries are held at cost less any accumulated impairment losses.

Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Material accounting policies continued

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs).

Financial assets and liabilities are only offset in the Balance Sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives over own equity

The Company holds a derivative asset over its own equity as a result of a contract for its own shares to be returned to it at nil cost under certain circumstances. The derivative asset is held on the Balance Sheet at fair value, with gains and losses arising on its remeasurement recognised immediately in the Income Statement. As the derivative arose from a transaction with a shareholder acting in its capacity as owner, the initial value of the asset was recognised directly in equity at the fair value of the shares expected to be returned.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

Share-based payments

The Company issues equity-settled share-based payments to certain employees. The required disclosures are included in the Group Consolidated Financial Statements.

Equity-settled share-based payments are measured at fair value of the equity instrument excluding the effect of non-market based vesting conditions at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured by use of a Monte Carlo pricing model.

Where equity-settled share-based payments are made available to employees of the Company's subsidiaries, these are treated as increases in equity over the vesting period of the award with a corresponding increase in the Company's investment in subsidiaries.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Own shares

Own shares represent the shares of the Company that are held by the Employee Benefit Trust. Own shares are recorded at cost and deducted from equity.

2. Critical accounting judgements and key sources of estimation uncertainty

Other than the matter noted below there were no other critical accounting judgements that would have a significant effect on the amounts recognised in the Company Financial Statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Application of Group reconstruction relief

The Company has applied section 611 of the Companies Act 2006 'Group reconstruction relief'.

On 28 February 2023 the Company issued ordinary shares to Melrose Industries PLC ('Melrose' also referred to as 'the transferor company') in consideration for the entire shareholding of G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited.

As permitted under sections 611(4) and 615 of the Companies Act 2006, the cost of investments in G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited have been measured at the carrying value of those investments in the transferor company (Melrose). The value of the investments in G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited totalled £1,084 million with ordinary shares issued in consideration. Total consideration was recognised as share capital of £14 million (consisting of ordinary shares at a par value of £0.01) and share premium of £1,070 million.

3. Result for the period

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Profit and Loss Account for the period. Dowlais Group plc reported a loss for the financial year ended 31 December 2023 of £26 million.

The auditor's remuneration for audit services to the Company is disclosed in Note 7 to the Group Consolidated Financial Statements.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 99 to 121. There were no other employees of the Company in the period.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investment in subsidiaries

	£m
At 13 January 2023	-
Additions	1,085
At 31 December 2023	1,085

The Directors believe that the carrying values of the investments are supported by their underlying net assets or the future cashflows expected to be generated by these businesses, therefore no further impairment is considered to be necessary.

The following subsidiaries and significant holdings were owned by the Company as at 31 December 2023:

	Equity interest %	Class of share held
Brazil		
Rua Joaquim Silveira 557, Parque Sao Sebastiao, 91060-320 Porto Alegre, RS		
GKN do Brasil Limitada	100	Common
Av. da Emancipacao no. 4.500, Bairro Jardim Santa Clara, Hortolandia, Sao Paulo		
GKN Sinter Metals Ltda	100	Common
Canada		
Citco (Canada) Inc, 2 Bloor Street East, Suite 2700, Toronto ON M4W 1A8		
GKN Sinter Metals – St Thomas Ltd	100	Common
China		
950 KangQiao Road, Pudong New Area, Shanghai		
Shanghai GKN HUAYU Driveline Systems Company Limited	50	Registered investment
Zijin Kechuang Center 4 Level, 416 Room, Economy Development Zone, Lishui, Nanjing		
Nanjing FAYN Piston Ring Company Limited	19.79	Registered investment
No. 8, Kangmin Rd, Yizheng		
GKN Sinter Metals Yizheng Co Ltd	100	Registered investment
18 North Shitan Road, North Industrial Park, Development Zone, Danyang, Jiangsu		
GKN Danyang Industries Company Limited	100	Registered investment
Xiguo Industrial Zone, Mengzhou City, Henan Province, 454750		
GKN Zhongyuan Cylinder Liner Company Limited	59	Registered investment
No. 1 Cuigu, Northern New Zone, Chongqing, 401122		
GKN HUAYU Driveline Systems (Chongqing) Co. Ltd	34.5 ⁽¹⁾	Ordinary
898 Kangshen Road, Pudong, Shanghai		
Shanghai GKN Driveline Sales Co Ltd	49	Ordinary

	Equity interest %	Class of share held
Wuping East Road, Shengfang Town, Bazhou City, Hebei Province, 065701		
GKN (Bazhou) Metal Powder Company Limited	40	Registered investment
Unit A, 6/F, Building A1#, No. 2555 Xiupu Road, Pudong New Area, Shanghai, 201315		
GKN China Holding Co Ltd	100	Registered investment
Factory No. 1, No. 2188 Zhongxi Road, Pinghu, Jiaxing, Zhejiang Province		
GKN HUAYU Driveline Systems (Pinghu) Co., Ltd.	50 ⁽²⁾	Registered investment

Colombia

Calle 32 No. 15 – 23 Barrio Rincon de Girón, Girón Santander		
Transejes Transmisiones Homocineticas de Colombia SA	49	Ordinary

France

5-7 rue Charles-Edouard Jeanneret, 78300, Poissy		
GKN Driveline SA	100	Ordinary
GKN Freight Services EURL	100	Ordinary
GKN Automotive SAS	100	Ordinary
GKN Automotive Management SAS	100	Ordinary
7 rue de la Briqueterie, 02240 Ribemont		
GKN Driveline Ribemont SARL	100	Ordinary

Germany

Am Fliegerhorst 9, 99947 Bad Langensalza		
GKN Sinter Metals GmbH, Bad Langensalza	100	Ordinary
Carl-Legien-Strasse 10, 63073 Offenbach am Main		
GKN Driveline Deutschland GmbH	100	Ordinary
GKN Automotive Management GmbH	100	Ordinary
Dahlenstrasse 43, 42477 Radevormwald		
GKN Sinter Metals Filters GmbH Radevormwald	100	Ordinary
Hafenstrasse 41, 54293 Trier		
GKN Driveline Trier GmbH	100	Ordinary
Hauptstrasse 130, 53797 Lohmar		
GKN Driveline International GmbH	100	Ordinary
Industriestr. 1, 97769 Bad Brückenau		
GKN Sinter Metals & Forge Operations GmbH	100	Ordinary
Nussbaumweg 19-21, 51503 Roesrath		
GKN Driveline Service GmbH	100	Ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investment in subsidiaries continued

	Equity interest %	Class of share held
Pennefeldsweg 11 – 15, 53177 Bonn		
GKN Powder Metallurgy Holding GmbH	100	Ordinary
GKN Hydrogen GmbH	100	Ordinary
GKN Sinter Metals Components GmbH	100	Ordinary
GKN Powder Metallurgy Engineering GmbH	100	Ordinary
Hungary		
Kalvin ter 12-13. 4. em., Budapest, 1085, Hungary		
GKN Automotive Hungary Korlátolt Felelősségű Társaság	100	Ordinary
India		
146 Mumbai Pune Road, Pimpri, Pune 411 018		
GKN Sinter Metals Private Limited	100	Ordinary
270, Sector-24, Faridabad 121 005, (Haryana)		
GKN Driveline (India) Limited	97.03	Ordinary
Ground Floor, East Wing, Salarpuria Supreme S.No.92/5, Munnekolalu Village, Varthur Hobli, Bangalore, Bangalore, KA 560037		
GKN Automotive Bengaluru Private Limited (India)	100	Ordinary
Italy		
Via dei Campi della Rienza 8, 39031 Brunico, BZ		
GKN Driveline Brunico SpA	100	Ordinary
Falzes (BZ), Bachla 6 Cap, 39030, Milan		
GKN Hydrogen SRL	100	Ordinary
GKN Hydrogen Italy Srl	100	Ordinary
Via Delle Fabbriche 5, 39031 Brunico, BZ		
GKN Sinter Metals SpA	100	Ordinary
Japan		
Senri Life Science Center, Bldg.12F, 1-4-2 ShinSenri Higashi-machi, Toyonaka-city, Osaka		
GKN Powder Metallurgy Japan KK	100	Ordinary
2388 Ohmiya-cho, Tochigi City, Tochigi, 328-8502		
GKN Driveline Tochigi Holdings KK	100	Ordinary
GKN Driveline Japan Ltd	100	Ordinary
Malaysia		
43-2, Plaza Damansara, Jalan Medan Setia 1, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan		
GKN Driveline Malaysia Sdn Bhd	68.42	Ordinary

Mexico

Carretera Panamericana km 284, Celaya, Guanajuato, C.P. 38110

GKN Driveline Celaya SA de CV	100	Ordinary
GKN Driveline Mexico Trading SA de CV	100	Ordinary

Av. DR. Jesus Valdes Sanchez 104, San Jose Agua Azul, Apaseo El Grande, Guanajuato

GKN Sinter Metals Mexico S. De. R. L. De. C. V.	100	Membership interest
GKN Sinter Metals Mexico Services S. De R. L. De. C. V.	100	Membership interest

Netherlands

2nd Floor Nova North, 11 Bressenden Place, London, SW1E 5BY, United Kingdom

GKN UK Holdings BV	100	Ordinary
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Poland

Ul. B. Krzywoustego 31 G, 56-400 Oleśnica

GKN Driveline Polska Sp z o o	100	Ordinary
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Portugal

Avenida Marechal Gomes da Costa, nº 1131, Aldoar, Foz do Douro e Nevogilde, 4150 360 Porto

GKN Automotive Portugal, Limitada	100	Quota
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Romania

33 Urziceni Street, Buzau, 120226

Hoeganaes Corporation Europe SA	100	Ordinary
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Str. Urziceni no. 33, Alexandru Ioan Cuza Hall, Buzau, Buzau County

GKN Specialty Products Europe S.R.L.	100	Ordinary
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Slovenia

Rudniska cesta 20, Zrece 3214

GKN Driveline Slovenija d o o	100	Ordinary
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Spain

Avenida de Citroen s/n, 36210 Vigo

GKN Driveline Vigo, SA	100	Ordinary
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Sagarbidea 2, 20750 Zumaia

GKN Driveline Zumaia, SA	100	Ordinary
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NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investment in subsidiaries continued

	Equity interest %	Class of share held
Pol. Ind. Can Salvatella, Avenida Arrahona 54-56, 08210 Barbera del Valles, Barcelona		
GKN Ayra Servicio, SA	100	Ordinary
Sweden		
SE - 731 29, Köping		
GKN Driveline Köping AB	100	Ordinary
Taiwan		
14 Kwang Fu Road, Hsin-Chu Industrial Park, Hukou, Hsin Chu 30351		
Taiway Limited	36.25	Common Stock
Thailand		
Eastern Seaboard Industrial Estate, 64/9 Moo 4, Tambon Pluakdaeng, Amphur Pluakdaeng, Rayong 21140		
GKN Driveline (Thailand) Limited	100	Ordinary
Turkey		
Organize Sanayi Bolgesi 20, Cadde No: 17, 26110, Eskisehir		
GKN Eskisehir Automotive Products Manufacture and Sales A.S.	100	Ordinary
Yakuplu Mah. Haramidere Sanayi Sitesi, J Blok, No. 106-107-108, Beylikdüzü, İstanbul		
GKN Sinter İstanbul Metal Sanayi Ve Ticaret Anonim Şirketi	100	Ordinary
United Kingdom		
2100 The Crescent, Birmingham Business Park, Birmingham, West Midlands, B37 7YE		
GKN Hybrid Power Limited	100	Ordinary
GKN Freight Services Limited	100	Ordinary and cumulative preference
GKN Driveline UK Limited	100	Ordinary

2nd Floor Nova North, 11 Bressenden Place, London, SW1E 5BY

	Equity interest %	Class of share held
GKN EVO eDrive Systems Limited	100	Ordinary
Dowlais Group Headquarters Limited *	100	Ordinary
GKN UK Investments Limited	100	Ordinary
GKN USD Investments Limited	100	Ordinary
GKN Ventures Limited	100	Ordinary
GKN Sinter Metals Limited	100	Ordinary
GKN Euro Investments Limited	100	Ordinary
GKN Firth Cleveland Limited	100	Ordinary
GKN Group Pension Trustee (No.2) Limited	100	Ordinary
G.K.N. Group Services Limited	100	Ordinary and redeemable preference
GKN Overseas Holdings Limited	100	Ordinary
GKN Group Pension Trustee Limited	100	Ordinary
G.K.N. Powder Met. Limited	100	Ordinary
GKN U.S. Investments Limited	100	Ordinary
GKN Service UK Limited	100	Ordinary
GKN Sheepbridge Limited	100	Ordinary
GKN Sheepbridge Stokes Limited	100	Ordinary
G.K.N. Industries Limited *	100	Ordinary
G.K.N. International Trading (Holdings) Limited	100	Ordinary
GKN Marks Limited	100	Ordinary
GKN Hydrogen Limited	100	Ordinary
Dowlais Industries Limited	100	Ordinary
GKN Driveline Birmingham Limited	100	Ordinary
GKN Automotive Limited	100	Ordinary and Preference
GKN Birfield Extrusions Limited	100	Ordinary
GKN Countertrade Limited	100	Ordinary
GKN Automotive Holdings Limited	100	Ordinary
Ball Components Limited	100	Ordinary
Dowlais Automotive Limited	100	Ordinary
GKN 2 Trustee 2018 Limited	100	Ordinary
GKN 3 Trustee 2018 Limited	100	Ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Investment in subsidiaries continued

	Equity interest %	Class of share held
c/o Brodies LLP, 15 Atholl Crescent, Edinburgh, EH3 8HA		
GKN Investments III LP	100	Membership interest
c/o Brodies LLP, Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP		
GKN Investments III GP Limited	100	Ordinary
Rhodium Building, Central Boulevard,, Blythe Valley Park, Solihull, B90 8AS		
GKN Powder Metallurgy Holdings Limited *	100	Ordinary
Unit 1, Cobnar Wood Close Chesterfield Trading Estate, Chesterfield, Derbyshire, S41 9RQ		
GKN Cylinder Liners UK Limited	100	Ordinary
Unit 5, Kingsbury Business Park, Kingsbury Road, Minworth, Sutton Coldfield, B76 9DL		
GKN Driveline Service Limited	100	Ordinary
United States		
2710 Gateway Oaks Drive, Suite 150 N, Sacramento, CA, 95833		
Product Slingshot, Inc. (dba Forecast 3D)	100	Common stock
2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808		
XIK, LLC	100	Membership interest
GKN Driveline Newton LLC	100	Membership interest
251 Little Falls Drive, Wilmington, Delaware, 19808		
GKN America Corp	100	Common stock
GKN North America Investments Inc	100	Ordinary
GKN North America Services, Inc	100	Common stock
GKN Freight Services, Inc	100	Common stock
GKN Driveline North America, Inc.	100	Common stock
Hoeganaes Corporation	100	Common stock
GKN Hydrogen Corp.	100	Common stock
GKN Powder Metallurgy Holdings, Inc.	100	Common stock
GKN Specialty Products Americas Corp.	100	Common stock
GKN Sinter Metals, LLC	100	Membership interest
50 West Broad Street, Suite 1330, Columbus OH 43215		
GKN Driveline Bowling Green, Inc	100	Common stock
9 E. Loockerman Street, Suite 311, Dover DE 19901		
GKN Cylinder Liners, LLC	100	Membership interest

Notes:

* Investment held directly by the Company. All other investments are indirectly held.

1. The Group owns 9% directly with a total effective ownership of 34.5% in the company.
2. The Group indirectly has a total effective ownership of 50% in the company.

5. Other financial assets

	31 December 2023 £m
At 13 January	-
Additions – initial addition	29
Revaluation	(1)
At 31 December	28

The Company holds a derivative asset over its own equity as a result of a contract for its own shares to be returned to it at nil cost under certain circumstances. The derivative asset is held on the Balance Sheet at fair value, with gains and losses arising on its remeasurement recognised immediately in the Income Statement. As the derivative arose from a transaction with a shareholder acting in its capacity as owner, the initial value of the asset was recognised directly in equity at the fair value of the shares expected to be returned. Further details are provided in Note 24 to the Consolidated Financial Statements.

6. Creditors

	31 December 2023 £m
Amounts falling due within one year:	
Amounts owed to Group undertakings	47
Other taxes and social security	1
Accruals and other creditors	2
	50

Interest is charged on certain amounts owed to group undertakings and is calculated using rates derived from SONIA (Sterling Overnight Index Average) 1 month swap rate curves. All amounts owed to group undertakings are repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7. Issued share capital

	31 December 2023 £m
Authorised Share Capital	
Allotted, called-up and fully paid	
1,393,273,527 Ordinary shares of 1p each	14
	14

On 13 January 2023 the Company was incorporated with an initial share capital of one ordinary £1 share issued at par.

On 19 January 2023 the Company issued, for cash consideration, a further 49,999 ordinary £1 shares at par.

On 28 February 2023 the Company subdivided the 50,000 issued £1 ordinary shares into 5,000,000 ordinary shares of £0.01 (one pence) each.

On 28 February 2023 the Company issued 1,388,273,527 ordinary shares of £0.01 each to Melrose Industries PLC ("Melrose") in consideration for the entire shareholding of G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited. This resulted in a total issued share capital of 1,393,273,527 ordinary shares of £0.01.

As permitted under sections 611(4) and 615 of the Companies Act 2006, the issue of ordinary shares and the cost of investments in G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited has been measured at the cost of those investments in the transferor company (Melrose). The value of the consideration for the shares allotted is the amount by which the value of the assets transferred exceeds the value of any liabilities assumed by the Company as part of the consideration for the assets transferred. The value of the G.K.N. Industries Limited and GKN Powder Metallurgy Holdings Limited was £1,084 million and this was initially recognised as share capital of £14 million and share premium of £1,070 million.

On 20 April 2023, Melrose made a distribution to its shareholders of the Company's shares with one Dowlais share issued for every Melrose share held. On the same day, the Company's shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority (FCA) and to trading on the London Stock Exchange's main market for listed securities.

On 1 August 2023, the Company undertook a court-approved capital reduction in accordance with section 645 of the Companies Act 2006, through which the Company's share premium of £1,070 million was cancelled in full. The Order of the High Court of Justice, Chancery Division, was registered at Companies House and became effective from 3 August 2023. In accordance with IS 2008 No 1915 The Companies (Reduction of Share Capital) Order 2008 this resulted in a credit to the distributable reserves of the Company of £1,070 million.

8. Contingent liabilities

Dowlais Group plc, and certain other group subsidiary companies, has guaranteed loans drawn under the Senior Term and Revolving Facilities Agreement dated 22 February 2023. Details of the debt facilities and amounts drawn as at 31 December 2023 are provided in Note 19 to the Consolidated Financial Statements. No liability has been recognised in respect of these guarantees as the likelihood of the guarantees being called is considered remote.

9. Related party transactions

The Company has taken the exemption in FRS 102.33 Related party information not to disclose intercompany balances and transactions in the period with fully owned subsidiary undertakings.

ALTERNATIVE PERFORMANCE MEASURES (“APMS”)

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (“ESMA”), additional information is provided on the APMs used by the Group below.

In the reporting of financial information, the Group uses certain measures that are not required under IFRS. These additional measures (commonly referred to as APMs) provide additional information on the performance of the business and trends to stakeholders. These measures are consistent with those used internally, and are considered important in understanding the financial performance and financial health of the Group.

APMs are considered to be an important measure to monitor how the businesses are performing because this provides a meaningful comparison of how the business is managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

These APMs may not be directly comparable with similarly titled measures reported by other companies and they are not intended to be a substitute for, or superior to, IFRS measures. All Income Statement and Cash Flow measures are provided for continuing operations.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement Measures			
Adjusted revenue	Revenue	Share of revenue of equity accounted investments (Note 5)	Adjusted revenue includes the Group’s share of revenue of equity accounted investments (EAls). This enables comparability between reporting periods and consistency with internal reporting.

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose															
Income Statement Measures <i>continued</i>																		
Adjusted operating profit	Operating loss ¹	Adjusting items (Note 6)	The Group uses adjusted profit measures for consistency with internal reporting and to provide a useful and more comparable measure of the ongoing performance of the Group. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 6.															
			<table><tr><td></td><td>Year ended 31 December 2023 £m</td><td>Year ended 31 December 2022 £m</td></tr><tr><td>Adjusted operating profit</td><td></td><td></td></tr><tr><td>Operating (loss)/profit</td><td>(450)</td><td>58</td></tr><tr><td>Adjusting items to operating (loss)/profit (Note 6)</td><td>805</td><td>275</td></tr><tr><td>Adjusted operating profit</td><td>355</td><td>333</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Adjusted operating profit			Operating (loss)/profit	(450)	58	Adjusting items to operating (loss)/profit (Note 6)	805	275	Adjusted operating profit	355	333
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																
Adjusted operating profit																		
Operating (loss)/profit	(450)	58																
Adjusting items to operating (loss)/profit (Note 6)	805	275																
Adjusted operating profit	355	333																
Adjusted operating margin	Operating margin ²	Share of revenue of equity accounted investments (Note 5) and adjusting items (Note 6)	Adjusted operating margin represents Adjusted operating profit as a percentage of Adjusted revenue. The Group uses adjusted profit measures to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders.															
Adjusted profit before tax	Loss before tax	Adjusting items (Note 6)	Profit before the impact of adjusting items and tax. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 6.															
			<table><tr><td></td><td>Year ended 31 December 2023 £m</td><td>Year ended 31 December 2022 £m</td></tr><tr><td>Adjusted profit before tax</td><td></td><td></td></tr><tr><td>Loss before tax</td><td>(522)</td><td>(63)</td></tr><tr><td>Adjusting items to loss before tax (Note 6)</td><td>786</td><td>360</td></tr><tr><td>Adjusted profit before tax</td><td>264</td><td>297</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Adjusted profit before tax			Loss before tax	(522)	(63)	Adjusting items to loss before tax (Note 6)	786	360	Adjusted profit before tax	264	297
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																
Adjusted profit before tax																		
Loss before tax	(522)	(63)																
Adjusting items to loss before tax (Note 6)	786	360																
Adjusted profit before tax	264	297																
Adjusted profit after tax	Loss after tax	Adjusting items (Note 6)	Profit after tax but before the impact of the adjusting items. As discussed above, adjusted profit measures are used to provide a useful and more comparable measure of the ongoing performance of the Group to both internal and external stakeholders. Adjusted measures are reconciled to statutory measures by removing adjusting items, the nature of which are disclosed above and further detailed in Note 6.															
			<table><tr><td></td><td>Year ended 31 December 2023 £m</td><td>Year ended 31 December 2022 £m</td></tr><tr><td>Adjusted profit after tax</td><td></td><td></td></tr><tr><td>Loss after tax</td><td>(495)</td><td>(77)</td></tr><tr><td>Adjusting items to loss after tax (Note 6)</td><td>693</td><td>295</td></tr><tr><td>Adjusted profit after tax</td><td>198</td><td>218</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Adjusted profit after tax			Loss after tax	(495)	(77)	Adjusting items to loss after tax (Note 6)	693	295	Adjusted profit after tax	198	218
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																
Adjusted profit after tax																		
Loss after tax	(495)	(77)																
Adjusting items to loss after tax (Note 6)	693	295																
Adjusted profit after tax	198	218																

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																														
Income Statement Measures <i>continued</i>																																	
Constant currency	Income Statement, which is reported using actual average foreign exchange rates	Constant currency foreign exchange rates	The Group uses GBP-based constant currency models to measure performance. These are calculated by applying fixed exchange rates to local currency reported results for the current and prior periods. This gives a GBP-denominated Income Statement which excludes any translational variances attributable to foreign exchange rate movements.																														
Adjusted EBITDA for leverage covenant purposes	Operating loss ¹	Adjusting items (Note 6), depreciation of property, plant and equipment and amortisation of computer software and development costs, share of non-controlling interests and other adjustments required for leverage covenant purposes																															
			Adjusted EBITDA for leverage covenant purposes																														
			Adjusted operating profit																														
			Depreciation of property, plant and equipment and amortisation of computer software and development costs																														
			Non-controlling interests																														
			Other adjustments required for leverage covenant purposes ³																														
			<table><tr><th></th><th>Year ended 31 December 2023 £m</th></tr><tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>355</td></tr><tr><td>Adjusted operating profit</td><td>263</td></tr><tr><td>Depreciation of property, plant and equipment and amortisation of computer software and development costs</td><td>(8)</td></tr><tr><td>Non-controlling interests</td><td>(18)</td></tr><tr><td>Other adjustments required for leverage covenant purposes³</td><td></td></tr><tr><td>Adjusted EBITDA for leverage covenant purposes</td><td>592</td></tr></table>		Year ended 31 December 2023 £m	Adjusted EBITDA for leverage covenant purposes	355	Adjusted operating profit	263	Depreciation of property, plant and equipment and amortisation of computer software and development costs	(8)	Non-controlling interests	(18)	Other adjustments required for leverage covenant purposes ³		Adjusted EBITDA for leverage covenant purposes	592																
	Year ended 31 December 2023 £m																																
Adjusted EBITDA for leverage covenant purposes	355																																
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Depreciation of property, plant and equipment and amortisation of computer software and development costs	(8)																																
Non-controlling interests	(18)																																
Other adjustments required for leverage covenant purposes ³																																	
Adjusted EBITDA for leverage covenant purposes	592																																
Adjusted tax rate	Effective tax rate	Adjusting items, adjusting tax items and the tax impact of adjusting items (Note 6 and Note 9)	<table><tr><th></th><th>Year ended 31 December 2023 £m</th><th>Year ended 31 December 2022 £m</th></tr><tr><td>Adjusted tax rate</td><td></td><td></td></tr><tr><td>Tax per Income Statement</td><td>27</td><td>(14)</td></tr><tr><td>Adjusted for:</td><td></td><td></td></tr><tr><td> Tax impact of adjusting items</td><td>(87)</td><td>(62)</td></tr><tr><td> Tax impact of EAls</td><td>(11)</td><td>(9)</td></tr><tr><td> Other adjusting tax charges</td><td>5</td><td>6</td></tr><tr><td>Adjusted tax charge</td><td>(66)</td><td>(79)</td></tr><tr><td>Adjusted profit before tax</td><td>264</td><td>297</td></tr><tr><td>Adjusted tax rate</td><td>25%</td><td>27%</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Adjusted tax rate			Tax per Income Statement	27	(14)	Adjusted for:			Tax impact of adjusting items	(87)	(62)	Tax impact of EAls	(11)	(9)	Other adjusting tax charges	5	6	Adjusted tax charge	(66)	(79)	Adjusted profit before tax	264	297	Adjusted tax rate	25%	27%
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																															
Adjusted tax rate																																	
Tax per Income Statement	27	(14)																															
Adjusted for:																																	
Tax impact of adjusting items	(87)	(62)																															
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Other adjusting tax charges	5	6																															
Adjusted tax charge	(66)	(79)																															
Adjusted profit before tax	264	297																															
Adjusted tax rate	25%	27%																															

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose
Income Statement Measures <i>continued</i>			
Adjusted basic earnings per share	Basic earnings per share	Adjusting items (Note 6 and Note 11)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period. This measure is useful in showing the current performance of the Group to external stakeholders.
Adjusted diluted earnings per share	Diluted earnings per share	Adjusting items (Note 6 and Note 11)	Profit after tax attributable to owners of the parent and before the impact of adjusting items, divided by the weighted average number of ordinary shares in issue during the financial period adjusted for the effects of any potentially dilutive options. This measure is useful in showing the current performance of the Group to external stakeholders.
Balance Sheet Measures			
Working capital	Inventories, trade and other receivables less trade and other payables	Not applicable	Working capital comprises inventories, current trade and other receivables, non-current other receivables, current trade and other payables and non-current other payables. This measure provides additional information in respect of working capital management to external stakeholders.
Net debt	Cash and cash equivalents, loans with Related Parties ⁴ , interest-bearing loans and borrowings and finance related derivative instruments	Reconciliation of net debt (Note 26)	Net debt comprises cash and cash equivalents, interest-bearing loans and borrowings, loans with Related Parties ⁴ and cross-currency swaps, where applicable. Net debt is one measure that could be used to indicate the strength of the Group's Balance Sheet position and is a useful measure of the indebtedness of the Group.
Bank covenant definition of net debt at average rates and leverage	Cash and cash equivalents less interest-bearing loans and borrowings	Impact of foreign exchange and adjustments for bank covenant purposes	Net debt (as above) is presented in the Balance Sheet translated at period end exchange rates. For bank covenant testing purposes net debt is converted using average exchange rates for the previous 12 months. Leverage is calculated as the bank covenant definition of net debt divided by adjusted EBITDA for leverage covenant purposes. This measure is used for bank covenant testing.
			31 December 2023 £m
Net debt			(847)
Net debt at closing rates (Note 26)			(10)
Impact of foreign exchange			(857)
Bank covenant definition of net debt at average rates			(857)
Leverage			1.4x

APM	Closest equivalent statutory measure	Reconciling items to statutory measure	Definition and purpose																		
Cash Flow Measures																					
Free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Net cash from/(used in) financing activities	Free cash flow represents cash generated after all trading costs including restructuring, pension contributions, tax and interest payments but before any cash flows associated with financing activities. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting. <table><tr><td></td><td>Year ended 31 December 2023 £m</td><td>Year ended 31 December 2022 £m</td></tr><tr><td>Free cash flow</td><td></td><td></td></tr><tr><td>Net cash from operating activities</td><td>239</td><td>210</td></tr><tr><td>Net cash used in investing activities</td><td>(194)</td><td>(137)</td></tr><tr><td>Free cash flow</td><td>45</td><td>73</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Free cash flow			Net cash from operating activities	239	210	Net cash used in investing activities	(194)	(137)	Free cash flow	45	73			
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																			
Free cash flow																					
Net cash from operating activities	239	210																			
Net cash used in investing activities	(194)	(137)																			
Free cash flow	45	73																			
Adjusted free cash flow	Net increase/ decrease in cash and cash equivalents (net of bank overdrafts)	Free cash flow, as defined above, adjusted for demerger related exceptional cash flows	Adjusted free cash flow represents free cash flow adjusted for demerger-related exceptional cash flows. This measure is a useful metric for monitoring cash management within the Group and is consistent with internal reporting. <table><tr><td></td><td>Year ended 31 December 2023 £m</td><td>Year ended 31 December 2022 £m</td></tr><tr><td>Adjusted free cash flow</td><td></td><td></td></tr><tr><td>Free cash flow</td><td>45</td><td>73</td></tr><tr><td>Demerger LTIP payments⁵</td><td>37</td><td>-</td></tr><tr><td>Other cash demerger exceptional items</td><td>11</td><td>-</td></tr><tr><td>Adjusted free cash flow</td><td>93</td><td>73</td></tr></table>		Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Adjusted free cash flow			Free cash flow	45	73	Demerger LTIP payments ⁵	37	-	Other cash demerger exceptional items	11	-	Adjusted free cash flow	93	73
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m																			
Adjusted free cash flow																					
Free cash flow	45	73																			
Demerger LTIP payments ⁵	37	-																			
Other cash demerger exceptional items	11	-																			
Adjusted free cash flow	93	73																			
Capital expenditure (capex)	None	Not applicable	Calculated as the purchase of owned property, plant and equipment and computer software and expenditure on capitalised development costs during the period, excluding any assets acquired as part of a business combination. Net capital expenditure is capital expenditure net of proceeds from disposal of property, plant and equipment.																		
Capital expenditure to depreciation ratio	None	Not applicable	Net capital expenditure divided by depreciation of owned property, plant and equipment and amortisation of computer software and development costs. This measure is a useful metric for monitoring the investment in capital expenditure within the Group and is consistent with internal reporting.																		

1. Operating loss is not defined within IFRS but is a widely accepted profit measure being loss before finance costs, finance income and tax.

2. Operating margin is not defined within IFRS but is a widely accepted profit measure being derived from operating loss¹ divided by revenue.

3. Included within other adjustments required for covenant purposes are dividends received from equity accounted investments, the removal of adjusted operating profit of equity accounted investments, IFRS 2 related charges and non-cash finance costs.

4. Related parties comprise Melrose Industries PLC, the ultimate parent company prior to demerger on 20 April 2023 and other non-Group entities controlled by Melrose Industries PLC.

5. Demerger LTIP payments relate to the cash payment of the divisional long-term incentive plans which were put in place under management of Melrose Industries PLC and crystallised on demerger on 20 April 2023.

SHAREHOLDER INFORMATION

Financial diary

	21 May 2024 Annual General Meeting	13 August 2024* Announcement of half-year results for the six months ended 30 June 2024	5 March 2025* Announcement of full-year results for the year ended 31 December 2024
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* Provisional date

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held on **Tuesday 21 May 2024** at **11am** UK time at the office of Slaughter and May, One Bunhill Row, London, EC1Y 8YY. Further details regarding the format, location and business to be transacted at the meeting will be disclosed within the 2024 Notice of AGM.

Company website

The Company's website at dowlais.com contains the latest information for shareholders, including press releases and an updated financial diary. Email alerts of the latest regulatory announcements about the Company may be obtained by registering for the email news alert service on the website.

Registered office

Dowlais Group plc, 2nd Floor Nova North, 11 Bressenden Place, London, England, SW1E 5BY.

Share price information

The latest price of the Company's ordinary shares is available on londonstockexchange.com. Dowlais' ticker symbol is DWL. It is recommended that you consult your financial adviser and verify information obtained before making any investment decision.

Registrar

Our Registrar is Equiniti Limited who can be contacted at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Please contact the Registrar at the above address to advise of a change of address or for any enquiries relating to dividend payments, lost share certificates or other share registration matters. The Registrar provides online facilities at shareview.co.uk. Once you have registered you will be able to access information on your Dowlais Group plc shareholding, update your personal details and amend your dividend payment instructions online without having to call or write to the Registrar.

Share dealing services

The Registrar offers a real-time telephone and internet dealing service for the UK. Further details including terms and rates can be obtained by logging on to the website at shareview.co.uk/dealing or by calling **0371 384 2030**. Lines are open between 8.30am and 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

Information on how to manage your shareholdings can be found at <https://help.shareview.co.uk>. The pages at this web address provide answers to commonly asked questions regarding shareholder registration, links to downloadable forms and guidance notes. If your question is not answered by the information provided, you can send your enquiry via secure email from these pages. You will be asked to complete a structured form and to provide your shareholder reference, name and address. You will also need to provide your email address if this is how you would like to receive your response.

Alternatively, you can telephone **0371 384 2030**. Lines are open between 8.30am and 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales). For call charges, please check with your provider as costs may vary.

Dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should contact the Registrar. In addition, the Registrar is now able to pay dividends to over 90 different countries. This service enables the payment of your dividends directly into your bank account in your home currency. For international payments, a charge is deducted from each dividend payment to cover the costs involved. Please contact the Registrar to request further information.

This report includes certain forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond Dowlais' control and all of which are based on Dowlais' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of terminology such as "believe", "expects", "may", "will", "would", "could", "should", "shall", "risk", "intends", "expects", "estimates", "projects", "believes", "aims", "plans", "predicts", "seeks", "goal", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include matters that are not historical facts, statements regarding the intentions, beliefs or current expectations concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, dividend policy and industry of Dowlais and commitments, ambitions and targets relating to ESG matters. These forward-looking statements and other statements contained in these results regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved, and actual events or results may differ materially as a result of risks and uncertainties facing Dowlais. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Forward-looking statements contained in this report speak only to the date of this report. Dowlais and its Directors expressly disclaim any obligation or undertaking to update these forward-looking statements to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

Pages 1 to 126 consist of a Strategic Report and Directors' Report (including the Directors' Remuneration Report) that have been drawn up and presented in accordance with and in reliance upon applicable English company law. The liability of the Directors in connection with such reports shall be subject to the limitation and restrictions provided by, and shall be no greater than is required by, applicable English company law.

GLOSSARY

Abbreviations and definitions used in this report

Accident Frequency Rate or AFR	A safety key performance indicator, calculated as the number of lost time accidents (whether serious or minor) divided by the total number of hours worked multiplied by 200,000.
Automotive	The GKN Automotive business operated by the Group.
Board	The Board of Directors of the Company.
book-to-bill ratio	A metric used by GKN Automotive to describe, in respect of a period, the ratio of forecast lifetime revenue awarded in that period to revenues earned in the same period. It is calculated using reported FX rates and excludes aftermarket, cylinder liners and freight services revenues.
bps	Basis points.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CO₂e	Carbon dioxide equivalent. This figure includes GHGs in addition to carbon dioxide.
Company or Dowlais	Dowlais Group plc.
CSRD	EU Corporate Sustainability Reporting Directive
demerger	The demerger of the Company from Melrose on 20 April 2023.
Director	A director of the Company.
drop-through margin	The margin at which incremental sales volumes contribute incremental operating profit.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EMEA	Europe, Middle East and Africa.
EPS	Earnings per share.
ESG	Environmental, Social and Governance.
FX	Foreign exchange.

GHG	Greenhouse gas.
Group	The Company, its direct and indirect subsidiaries and other investments.
H1 or H2	The first or second half (as applicable) of the relevant financial year.
Hydrogen	The GKN Hydrogen business operated by the Group.
IFRS	International Financial Reporting Standards.
incremental stand-alone plc costs	Principally being the costs of the Dowlais head office operations, the Board and the executive committee, which were £32 million in the period.
LCA	Product life cycle analysis.
lifetime revenue	In respect of a contract, the revenue earned over the life of that contract.
M&A	Mergers and acquisitions, which may include disposals and joint ventures.
Melrose	Melrose Industries PLC.
Powder Metallurgy	The GKN Powder Metallurgy business operated by the Group.
Prospectus	The prospectus published by the Company on 3 March 2023.
Q1, Q2, Q3 or Q4	The 1 st , 2 nd , 3 rd or 4 th quarter (as applicable) of the relevant year.
SBTi	Science Based Targets initiative.
SECR	Streamlined Energy and Carbon Reporting.
STEM	Science, technology, engineering and mathematics.
TCFD	Task Force on Climate-related Financial Disclosures.
UAW	International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW).
UN SDGs	United Nations Sustainable Development Goals.
US	United States of America.
year-on-year	In comparison to the immediately preceding financial year (or relevant period thereof).

Technical, automotive industry and Dowlais terms used in this report

advanced differentials	Torque management components enabling specific advanced driving features such as mechanical and electronic limited slip differentials, locking differentials and disconnect devices.	HEV	Hybrid electric vehicle, a light vehicle which uses both an ICE and a high voltage electric motor to produce torque.
AWD	All wheel drive.	ICE	Internal combustion engine and an ICE vehicle means a light vehicle powered by an ICE.
AWD systems	Torque management components (being a power take-off unit and rear drive unit) for AWD vehicles with an East-West / transverse engine layout.	LFP / LFMP	Lithium iron phosphate / Lithium manganese iron phosphate.
BEV	Battery electric vehicle, a light vehicle without an ICE which uses a battery to store the electricity needed to power the vehicle.	light vehicle market	Passenger cars and light trucks up to 6 tonnes in weight. Unless otherwise specified, means the global light vehicle market.
constant velocity joint	A type of joint which allows a driveshaft to transfer torque via a variable angle at a constant rotational speed.	Mild Hybrid	An ICE vehicle which features a low-voltage electric motor to provide supplementary power to the ICE and ancillary vehicle equipment.
Driveline	A product group of GKN Automotive which comprises sids shafts and prop shafts.	OEM	Original equipment manufacturer of light vehicles.
drive systems	Sids shafts, prop shafts, and AWD systems.	powertrain	The drivetrain and the power source of a light vehicle.
drivetrain	The components of a light vehicle which transfer torque from the power source to the wheels.	PPM	Parts per million, a measures of defects per component manufactured.
eDrive System	The electric drive unit which is used to power BEVs, FCEVs and (along with an ICE) HEVs	propshaft	Propeller shaft, a type of driveshaft used to transfer torque from the front of the vehicle to the rear, or vice versa.
ePowertrain	A product group of GKN Automotive, which includes AWD systems, ePowertain components and eDrive systems.	propulsion source agnostic	The product is not only for use in an EV or ICE vehicle, but can be used in both.
EVs	Electrified light vehicles, including BEVs, FCEVs and HEVs (but not including Mild Hybrids).	sids shaft	A type of driveshaft used to transfer torque directly to the wheels of the vehicle and which typically features two constant velocity joints.
FCEV	Fuel cell electric vehicle, a light vehicle without an ICE which uses a fuel cell to generate the vehicle's power.	SUV	Sport utility vehicle, a type of light vehicle.
global OEM	An OEM which produces light vehicles in more than one country and produces more than 100,000 light vehicles each year.	Tier 1, Tier 2, Tier 3 etc.	The tiers of supplier in the automotive supply chain, in which Tier 1 suppliers supply the OEM directly, Tier 2 suppliers supply Tier 1 suppliers, and so on.
GLVP	Global light vehicle production.	torque	Rotational force, which in a light vehicle is generated by the engine or drive system.



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Pureprint Ltd is a Carbon / Neutral® Printing Company.

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