



TRUST. WELL EARNED.

Section 172(1) statement

This statement has been prepared in accordance with the requirements of The Companies (Miscellaneous Reporting) Regulations 2018, which require the Company to describe how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006 during the financial year under review. We have set out below further detail on how the Directors have fulfilled their duties during the course of 2019.

In executing our strategy, Directors must act in accordance with a set of general duties detailed in section 172 of the Companies Act 2006. These general duties include a duty to promote the success of the Company, and specifically to act in a way that the Directors consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder and, in doing so, having regard (amongst other matters) to the duties detailed in the sub-headings below.

Having regard to the likely consequences of any decisions in the long-term

The Directors' approach to decision-making is to look to secure the financial robustness of the business for its long-term future. Long-term framework agreements are entered into for the supply of new build units to significant customers in order to help achieve this goal, with scrutiny placed on the projected profitability of these contracts at the outset in order to ensure they are suitably beneficial to the Company. The Directors also seek to promote a diverse customer portfolio such that reliance does not have to be placed on only a few key customers.

During 2019, the Directors determined that a restructuring exercise was required in Australian subsidiary entity Hawker Siddeley Switchgear Pty Limited. As a result, manufacturing ceased in Australia, the Australian facility was sold and the remaining business relocated to smaller rental premises. Manufacturing needs will be met through production in the UK facility. This decision was taken in response to changing market conditions in Australia and will ensure the long-term viability of the Australian business.

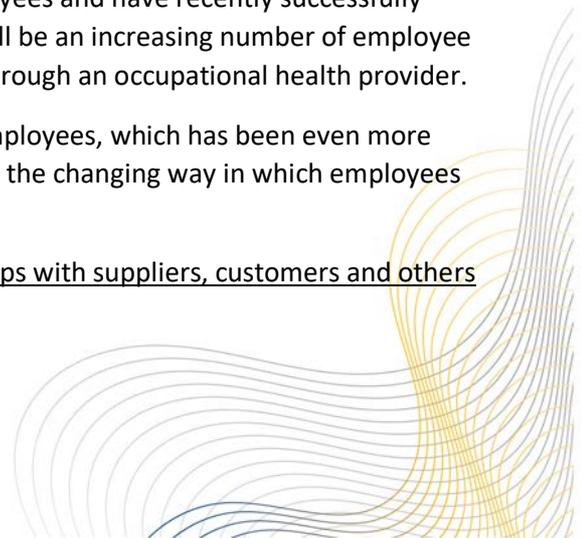
Having regard to the interests of the Company's employees

As outlined in the Strategic Report on page 4, the Company pays particular attention to the fairness of its employment policies and the engagement of the workforce, through regular team meetings, feedback forms and employee satisfaction surveys.

As a business we are focused on the health and wellbeing of our employees and have recently successfully transitioned from OHSAS 18001 to ISO 45001. To support this, there will be an increasing number of employee wellbeing days in addition to access to increased health assessments through an occupational health provider.

There has also been more focus on encouraging flexible working for employees, which has been even more significant moving into 2020, with a commitment to continue to review the changing way in which employees will work.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others





The fostering of successful business relationships is integral to the continued success of the business, and is achieved through regular contract meetings, which maintain an open line of communication between all parties, in addition to satisfaction surveys, employment of key account managers and regular workshops. The Directors emphasise the need for professionalism and integrity to be demonstrated throughout all interactions with third parties as they recognise that engendering trust is vital to the value proposition being offered by the Company.

Having regard to the impact of the Company's operations on the community and environment

The Directors recognise that it is important for the long-term future of our businesses that we protect and enhance the environment.

As a business we are certified to ISO14001, successfully operating an Environmental Management System utilising the Plan Do Check Act approach to continuous improvement.

The Switchgear Division are currently running two projects with established Universities reviewing the feasibility of replacing SF6 as the medium for BIL levels.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

The Directors recognise that culture, values and standards are key contributors to how a company creates and sustains value over the longer term, and to enable it to maintain a reputation for high standards of business conduct. High standards of business conduct guide and assist in the Directors' decision making, and in doing so, help promote the Company's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations.

The Code of Ethics is available for all employees on the Company intranet, along with all supporting policies, and a level of compliance training is required. In addition, behaviours and conduct form a significant part of an employees annual review in order to ensure standards aligned to the Company requirements.

Having regard to the need to act fairly as between shareholders of the Company

The Company has one class of ordinary shares, which have the same rights as regards voting, distributions and on a liquidation. The sole shareholder is immediate parent company Brush Electrical Machines Limited. The Directors work closely with management of Brush Electrical Machines Limited to ensure that the strategy and actions of the Company are aligned with those of the Brush Group. Company performance is communicated and reviewed with Brush Electrical Machines Limited management on a regular basis, with particular emphasis placed on cash generation. Similarly, all significant capital projects are reviewed with Brush Electrical Machines management before commitments are made.

The ultimate parent company of Hawker Siddeley Switchgear Limited is Melrose Industries PLC, the section 172(1) statement of which can be found in the Melrose Industries PLC Annual Report 2019.

On the basis of the above, the Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

