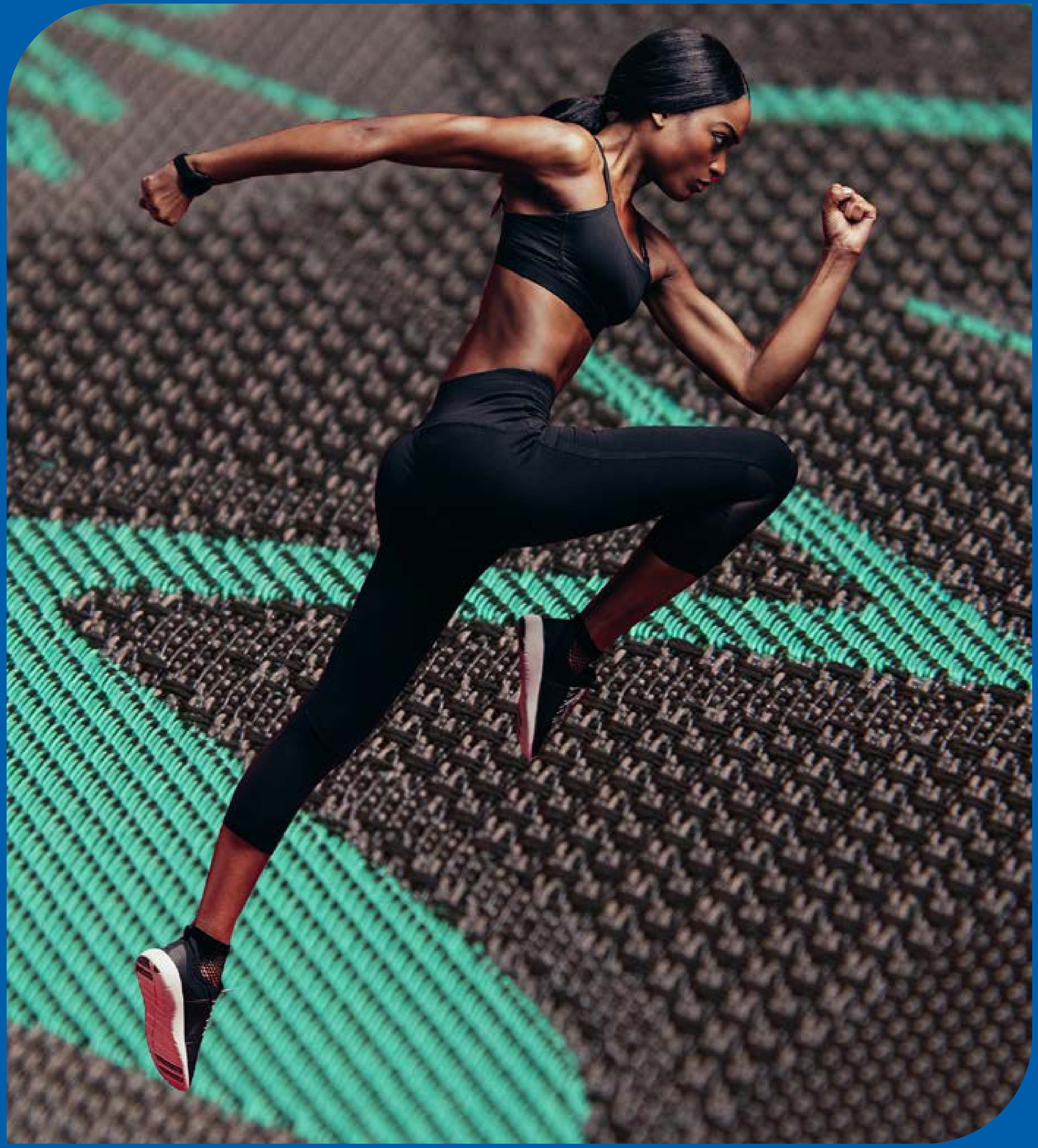
COATS

Coats Group plc
Annual Report and Accounts 2024

DELIVER TODAY
REIMAGINE TOMORROW



OUR PURPOSE IS TO CONNECT TALENT, TEXTILES AND TECHNOLOGY TO MAKE A BETTER AND MORE SUSTAINABLE WORLD.

We are driving premium profitable growth through innovation and sustainability, transforming Coats for the future, and creating value for our customers, shareholders, and communities.

Read about our results on page 3

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PERFORMANCE MATERIALS:

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This report has been produced in landscape format to optimise the reading experience online.

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See our online 'Year in Review' at coats.com/results
A full copy of this Annual Report can also be downloaded from coats.com/investors

2024 Full Year Results And Highlights

> “We are pleased to have delivered another strong financial performance in 2024, and I would like to thank all Coats employees for this achievement.
>
> Our unparalleled customer base, high quality product portfolio and our global footprint are a great foundation to build on, supported by our financial strength.”

David Paja,
Group CEO

9%
Organic Revenue Growth

144%
Recycled Sales Growth

130bps
EBIT Margin Growth

$153m
Adjusted Free Cash Flow

18%
Adjusted EBIT Margin

9.5c
Adjusted EPS

3.12c
Total Dividend up 11%

1.5x
Balance Sheet Leverage

At a glance and highlights

We are the global market leader in apparel threads, structural components and threads for footwear, and innovative pioneers in performance materials.

We manufacturer sustainability-led innovative products, and are a trusted partner to leading brands and tier 1 manufacturers across all three segments and multiple industries.

A FTSE250 company and a FTSE4Good Index constituent, Coats takes part in the UN Global Compact and is committed to science-based sustainability targets for 2030 and beyond.

>50
Countries

>16,000
Permanent employees

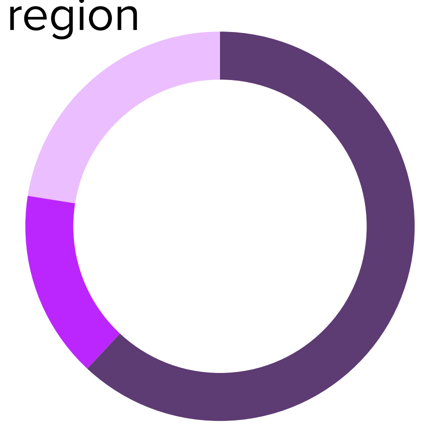
c25,000
Customers globally

>250
Years of textiles experience

Revenue by division

- Apparel 51%
- Footwear 27%
- Performance Materials 22%

Revenue by production region



- Asia 64%
- Americas 16%
- EMEA 20%

Financial highlights

– Revenue up 8% on a reported basis and 9% CER

– Group adjusted EBIT margin of 18.0%, ahead of previously announced 2024 margin target of 17%, and despite in-year margin headwinds from Performance Materials Division

– Adjusted earnings per share growth of 18% to 9.5 cents

– Strong adjusted free cash flow of $153 million – 101% cash conversion[7]

– Net debt (excluding lease liabilities) at $449 million with leverage[3] reduced to 1.5x net debt: EBITDA (ahead of 1.6-1.7x guidance post pensions settlement), comfortably within 1-2x target range and providing significant capacity to support the Group's capital allocation strategy

– Proposed final dividend of 2.19 cents, +10%, reflecting the Board's confidence in growth strategy and future performance

Strategic highlights

– Continued outperformance against the industry in Apparel and Footwear – further market share gains[8] (+100bps Apparel and +200bps Footwear)

– Extended global market leadership position in 100% recycled thread products – revenue grew 144% to $405 million a further significant acceleration in industry adoption

– Strategic projects actions now complete - $8 million incremental EBIT to be delivered in 2025 (taking total savings to $75 million)

– Performance Materials Americas manufacturing footprint right sized in Q4 with the closure of the Toluca site to align to structural softness in North American Yarns – will drive immediate margin improvement

Financial performance

Continuing operations	FY 2024	FY 2023 [4]	FY 2024 vs FY 2023	
			Reported	Ⓐ CER
Revenue	**$1,501m**	$1,394m	8%	9%
Adjusted[1]				
EBIT[5]	**$270m**	$233m	16%	18%
Basic earnings per share	**9.5c**	8.0c	18%	
Free cash flow	**$153m**	$131m		
Net debt (excl. lease liabilities)	**$449m**	$384m		
Reported[2]				
EBIT[5]	**$200m**	$184m		
Basic earnings per share[4]	**5.0c**	5.2c		
Net cash generated by operating activities[6]	**$185m**	$124m		
Final dividend per share (cents)	**2.19c**	1.99c		

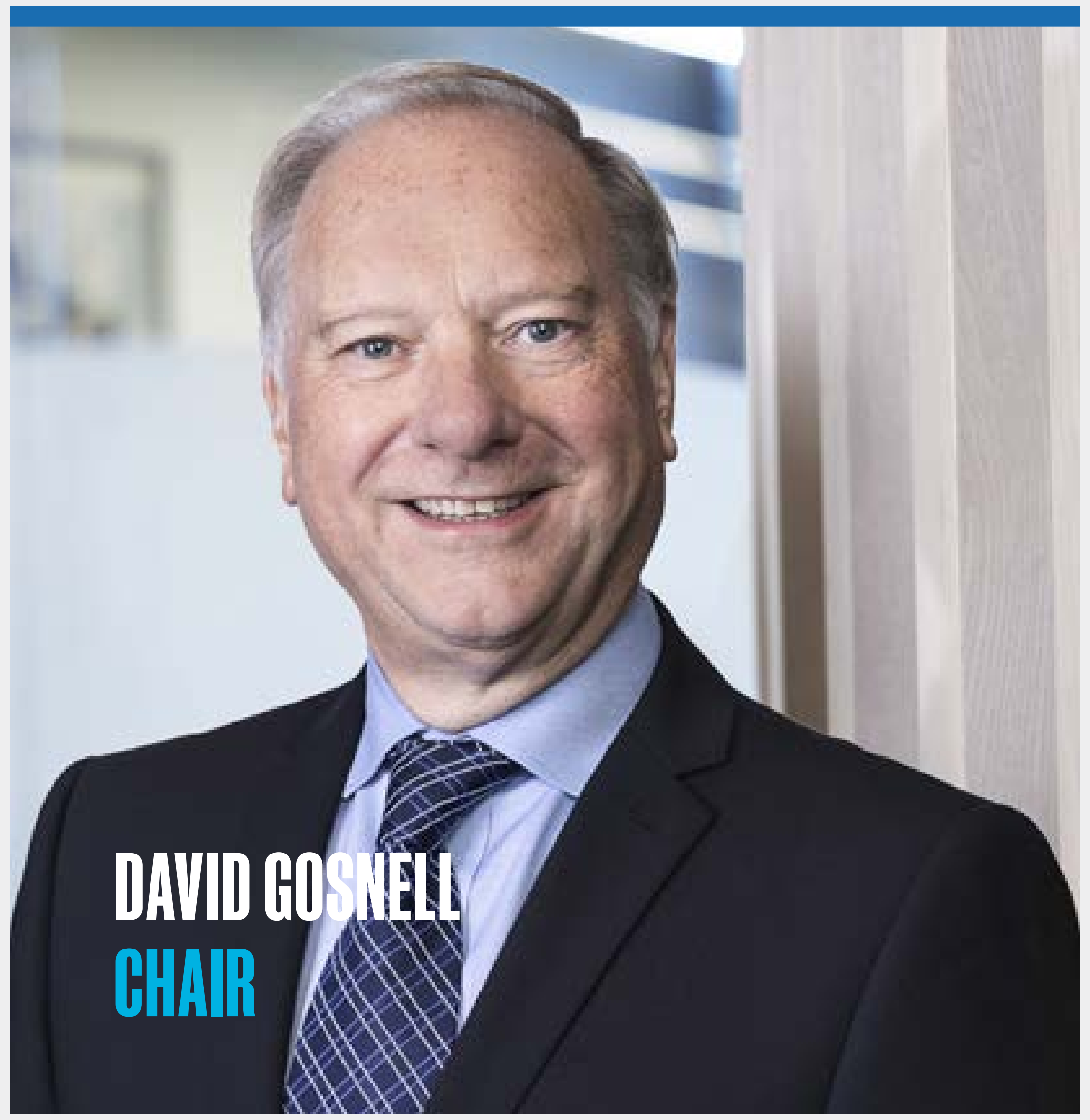
Ⓐ Alternative Performance Measures – see note 36.

1. Adjusted measures are non-statutory measures (Alternative Performance Measures). These are reconciled to the nearest corresponding statutory measure in note 36. Constant Exchange Rate (CER) metrics are 2023 results restated at 2024 exchange rates.
2. Reported metrics refer to values contained in the IFRS column of the primary financial statements in either the current or comparative period.
3. Leverage calculated on a frozen GAAP basis and therefore excludes the impact of IFRS 16 on both adjusted EBITDA and net debt. See note 36b for details.
4. From continuing operations.
5. EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.
6. Excludes £100 million payment in relation to the pension settlement.
7. Cash conversion defined as adjusted free cash flow divided by normalised attributable profit before exceptional and acquisition items.
8. Coats estimates.

Some of our customers

adidas, Autoliv, Columbia, DECATHLON, EUROPROTECT, IKEA, INDITEX, lululemon, PVH, VF, Shell

Chair's statement



"I am pleased to reflect on Coats' excellent performance and substantial progress towards a top performing premium industrial company striving to meet its strategic goals."

Transforming from 'Good to Great'

I wrote this time last year about the challenges that the world was facing, with conflict in Ukraine and an escalating situation in the Middle East. While 2024 has seen much of the same instability in the wider world, we have encouragingly seen a number of our end markets return to growth. I am pleased to reflect on Coats' excellent performance and substantial progress towards a top performing premium industrial company, Coats is a quality business in a strong position to continue to serve our customers and markets.

Our focus on sustainability, innovation and digital, combined with our global footprint, has translated into strong growth in profitability and cash generation, which leaves us well-positioned to drive further growth into the future and deliver value to shareholders.

As we saw most of our end markets return to more normality following a significant period of destocking during 2022 and 2023, we have seen our strategy play out as the business goes from strength to strength.

Our end markets have seen unprecedented volatility over recent years, and I am delighted that we have successfully navigated this period and at the same time exceed margin targets. We continue to generate strong cash flows.

Our Apparel and Footwear divisions demonstrate an ongoing clear competitive advantage and value for our customers, which ultimately drives our continuing market share gains and strong financial metrics. In Performance Materials, we have seen persistent softness in some end markets, and we are proactively addressing challenges specific to that division to fuel accelerated top line growth and improve margins.

People

Our people are at the heart of our success. And our culture, a sense of ownership, agility and resilience is a big differentiator. This is underlined by Coats once again being named as one of the world's top 25 workplaces by the Great Place To Work® (GPTW™) organisation. More than 95% of our sites globally are accredited and we are delighted to have outscored world benchmarks in a number of critical areas such as employee trust. We have also achieved an outstanding Engagement score of 85% in 'Your Voice Matters Survey', a whole 11 points above the average external benchmark.

I am particularly proud of the incredible achievements we have seen coming out of the Coats Cares programme. Coats Cares is designed to highlight the huge contribution made by our people to local causes in their communities and are rightfully recognised in this year's Annual Report.

The health and safety of our employees remains a key focus for our business, and we continue to strive always for a completely safe workplace for our teams. We were extremely saddened by the loss of a valued contractor during a routine plant equipment service in Bangladesh this year. This acts as a stark reminder of the critical nature of this area and, the Board and management are committed to preventing serious injuries and delivering a roadmap to zero accidents.

Pensions

In September, we announced the final de-risking of our UK pension liabilities with the final 80% now fully insured in a c.£1.3 billion deal with Pensions Insurance Corporation (PIC). This marks a significant step forward for the Group. It provides certainty for our pensioners, removes a significant cash commitment / uncertainty, and enables management to focus on accelerating profitable growth and deploying capital to our other key priority areas.

The collaborative manner in which Coats was able to work with Pension Trustees and advisors over a number of years is indicative of our approach to building constructive relationships that deliver successful outcomes for all of our stakeholders.

Capital allocation

Coats has an excellent record delivering progressive dividends and following another period of strong financial delivery, we have been able to increase our dividends by 11%, whilst still maintaining a strong Balance Sheet, with leverage comfortably within the 1x-2x range.

The final settlement of our UK pension liabilities also meant that we were in a position to revisit our Capital Allocation Policy during the latter part of the year. Our capital priorities are: continuing to invest in organic growth; delivering a progressive dividend payout, and performing disciplined and accretive M&A while remaining within a leverage range of 1x-2x. We will consider further options for additional shareholder returns should leverage be expected to fall below 1x for a sustained period of time.

Chair's statement cont.

Strategic enablers

Coats remains committed to its strategic enablers and differentiators of Sustainability, Innovation and Digital as the catalysts for future growth and profitability.

In a world where corporates such as Coats are rightly challenged to ensure we do the right thing for people and the environment, I am incredibly proud of the way in which we have managed to accelerate our industry-leading sustainability platform. This can be seen in numerous ways, from our 144% year-on-year growth in recycled threads, to commitment to transparent working via externally assured sustainability reporting.

Furthermore, 2024 saw external limited assurance of Coats' core sustainability metrics and our 2050 net-zero target was validated by the Science Based Target initiative, affirming our commitments to protecting our environment.

In collaboration with our customers, our Innovation Hubs have been working on a range of products, including a focus on hard-to-recycle products, focussing particularly on hard-to-recycle circular solutions, bonding agents and safety critical items. We continue to see innovation as a crucial lever to deliver our future growth, and under our new Group CEO, David Paja's supervision, this will remain a key priority.

Digital continues to set Coats apart from the competition and our scale enables us to invest in our digital operations to deliver efficiency, productivity and service to our customers, suppliers, and employees, in ways that create shareholder value.

Board changes

Rajiv Sharma left his role as Group CEO in September. Rajiv's contribution during his 14 years at Coats, eight as Group CEO, has been immeasurable and we have reflected on his tenure on page 11. I am sure you will join me in thanking Rajiv for his leadership in transforming Coats into the business it is today and providing a robust platform to drive the next phase of our growth journey.

After a comprehensive search process, I was delighted that David Paja started as Group CEO in October. David was CEO of GKN Aerospace, part of Melrose Industries PLC, where he oversaw a successful business turnaround and growth. Prior to this, David held senior leadership positions at Aptiv, Honeywell and Valeo. David's 30 years of experience in a range of complementary industries, in addition to his proven success in scaling new technologies and driving profitable growth, will be a great fit for Coats in our next phase.

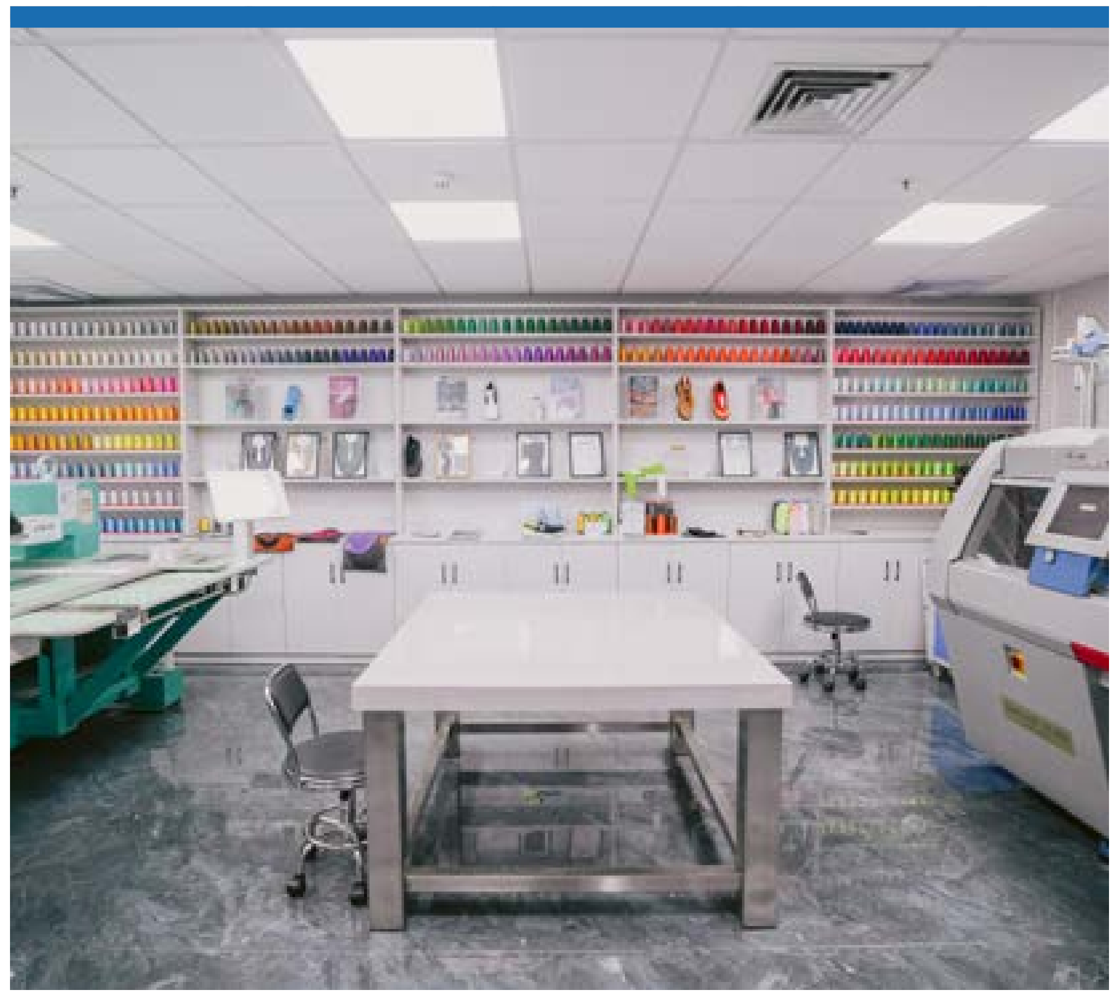
In January 2025 it was announced that Jackie Callaway had decided to step down from her role as Group Chief Financial Officer at the conclusion of the AGM on 21 May 2025, assisting with an orderly transition to 30 June 2025. Following a comprehensive selection process, the Board appointed Hannah Nichols as Group Chief Financial Officer designate. She will join the Group on 24 April 2025 and will assume Group CFO responsibilities at the conclusion of the 21 May 2025 AGM.

Hannah joins from Hill & Smith PLC, the FTSE 250 international industrial group, where she has been Chief Financial Officer since 2019. Prior to this she worked at BT Group plc and has over 20 years' experience in a range of finance roles. Hannah is also currently a Non-Executive Director of Oxford Instruments plc.

I was also pleased to announce that Srinivas Phatak joined as a Non-Executive Director in September. Srini brings a wealth of knowledge and experience both in his current role as Deputy Chief Financial Officer and Group Controller at Unilever PLC, but also in over 28 years across consumer products in a variety of locations around the world.

Nicholas Bull left his role as Senior Independent Director and Chair of the Audit and Risk Committee in May, after nine successful years on the Board where we saw huge progress across the Group. Following Nicholas stepping down form the Board, Steve Murray became Senior Independent Non-Executive Director, and Sarah Highfield became the Chair of the Audit and Risk Committee.

I would like to conclude by thanking, on behalf of the Board, the contribution of our exceptional teams across the world.



9.5c (18% growth)
EPS growth driven by strong operating performance

3.12c
Total dividend up 11% from 2023

Group CEO's statement

"Our 2024 results show another year of strong delivery, creating a platform for compounding earnings growth."

2024 HIGHLIGHTS

9%
Organic revenue growth

$67m
Strategic projects savings on track to deliver $75 million in 2025

18%
Adjusted EBIT margin

$270m
Adjusted EBIT

$153m
Adjusted free cash flow

144%
Recycled sales growth

A world-class industrial business

I would like to begin by thanking Rajiv for his years of service to Coats and for the quality of the business that he has handed over to me. During Rajiv's tenure, Coats has become a more focussed and profitable company, with a strong foundation for future growth.

In my first months as Group CEO, I have visited 25 of our sites across 13 countries – representing 90% of Coats revenue. I have had the pleasure of meeting many employees, customers, suppliers and shareholders. My visits have reinforced my view that Coats is a premium quality business with substantial opportunities for accelerated growth. This is driven by our global scale and capability, our unparalleled customer base of c25,000 manufacturers and 800 brands, our financial strength, and our culture of ownership, agility and collaboration.

Our industry is rapidly changing as consumers demand faster product cycles, more innovation in performance and comfort, more product personalisation, and a drastic reduction in CO_2 emissions because the fashion industry is responsible for 10% of total global CO_2 emissions. These changes are accelerating the deployment of digital tools to shorten the design cycles, improve manufacturing planning and inventory control, and introduce traceability.

The convergence of three mega-trends - sustainability, innovation and digital - is accelerating the consolidation of the industry around suppliers with the scale, capability and financial muscle who can lead this transition. And this is why oats as global leader in its product categories is in a fantastic position to become an even more relevant partner.

New medium-term targets

After reviewing the Group's operations and markets, and gathering inputs from across the business, I have reflected on the opportunities ahead and updated the Group's medium-term targets. Focussing on our existing, strong positions, together with a push into some attractive near adjacencies in our markets, will underpin continued medium-term organic revenue growth of >5% CAGR.
We are also in a strong position to further drive Group profitability forward, with a focus on continuous operational improvement. This will deliver higher Group margins over the medium-term of 19-21%, and in turn deliver adjusted cumulative free cash flow of over $750 million (after interest and tax, before dividend distribution) over the next five years and high single-digit organic EPS CAGR.

After investing in organic growth, we will continue to use our adjusted free cash flow to maintain a progressive dividend and execute disciplined and accretive M&A to further enhance our position in certain markets. We will also continue to maintain our current target leverage ratio of 1x-2x.

Group CEO's statement cont.

Group delivery

After a challenging period of sharp industry destocking, 2024 has seen a progressive return to normal order patterns. With orders recovering, we have remained focussed on disciplined operational and financial delivery.

This has resulted in a return to strong top-line growth, driven primarily by our Apparel and Footwear divisions. It has been particularly pleasing to deliver, and exceed, the 17% margin that we targeted for 2024, achieving 18% for the Group. By the end of 2024 we delivered savings from Strategic Projects of $67 million and we remain on track to $75 million by the end of 2025.

We have seen another year of strong cash generation ($153 million adjusted free cash flow) and coupled with the UK Pension settlement, this means we will deliver even stronger cash generation going forward. This leaves us well placed to generate and deploy capital to invest in organic opportunities that will drive growth and profitability throughout the cycle, be agile in the execution of incremental inorganic growth opportunities and continue to deliver attractive returns to shareholders.

Strategic enablers

Our strategic pillars of sustainability, innovation and digital continue to serve Coats well, and these will remain core to our strategy going forward.

We continue to make excellent progress in the five key areas of our Sustainability strategy: Energy, Materials, Waste, Water and People. I am particularly pleased with the increase in sales of products from recycled materials which reached $405 million in 2024, up 144% from 2023. And in the last two months of 2024 we achieved zero waste to landfill one year ahead of target, which compares to c.2,300 tonnes that we sent to landfill in 2022. This is massive progress.

Innovation will be key to accelerating our growth and, together with Digital, an area of increased focus going forward. In 2024, the launch of Rhenoprint™ RP 2.0 technology in structural components represented a breakthrough in sustainability for Footwear. Meanwhile, in Performance Materials the introduction of Gotex Xtru™ tapes with carbon fibre reinforcements is boosting our growth in energy sectors by enabling the transition to non-metallic solutions in oil and gas pipelines. Future innovations will centre on the development of recycled products, bio-based materials, new chemistry designed for recycling, and lightweight safety-critical designs.

Our investment in Digital in 2024 continued to focus on strengthening our digital infrastructure, enhancing our ShopCoats digital platform with the launch of the phone app, and expanding our Coats Digital offering – our software products business that makes our customer operations more efficient. Coats Digital grew sales by 21% and bookings by 50% in 2024.

Divisional performance

In 2024 the Apparel and Footwear divisions delivered strong margin performance, well ahead of their original 2024 profit targets.

In Apparel our strategy of 'Winning with the Winners' continues to pay off. In 2024 we increased our segment share by further 100 points to 26%. Core to this achievement was the substantial growth in our recycled product sales which reached $405 million in 2024 (vs. $172 million in 2023). We also made strong progress in our digital roadmap as we launched our ShopCoats mobile phone app which allows customers to place orders, track deliveries and receive tech support from their phones. With over 80% of our Apparel customers placing orders in ShopCoats, this is a game-changer.

In Footwear, we completed the integration process of the structural components businesses delivering $22 million annualised savings from back-office consolidation and procurement. This is twice the level targeted when we announced the Texon and Rhenoflex acquisitions in 2022. The result is a single business with larger scale and relevance for our footwear customers. The completion of our fully integrated footwear manufacturing plant in Indonesia sets us up for success in this critical footwear growth market. The certification by Anta of our technical lab in China positions us as the only partner with such capability, ready to support the fast-growing China domestic brands. Overall, our Footwear division increased share by 200bps in 2024 to 29%.

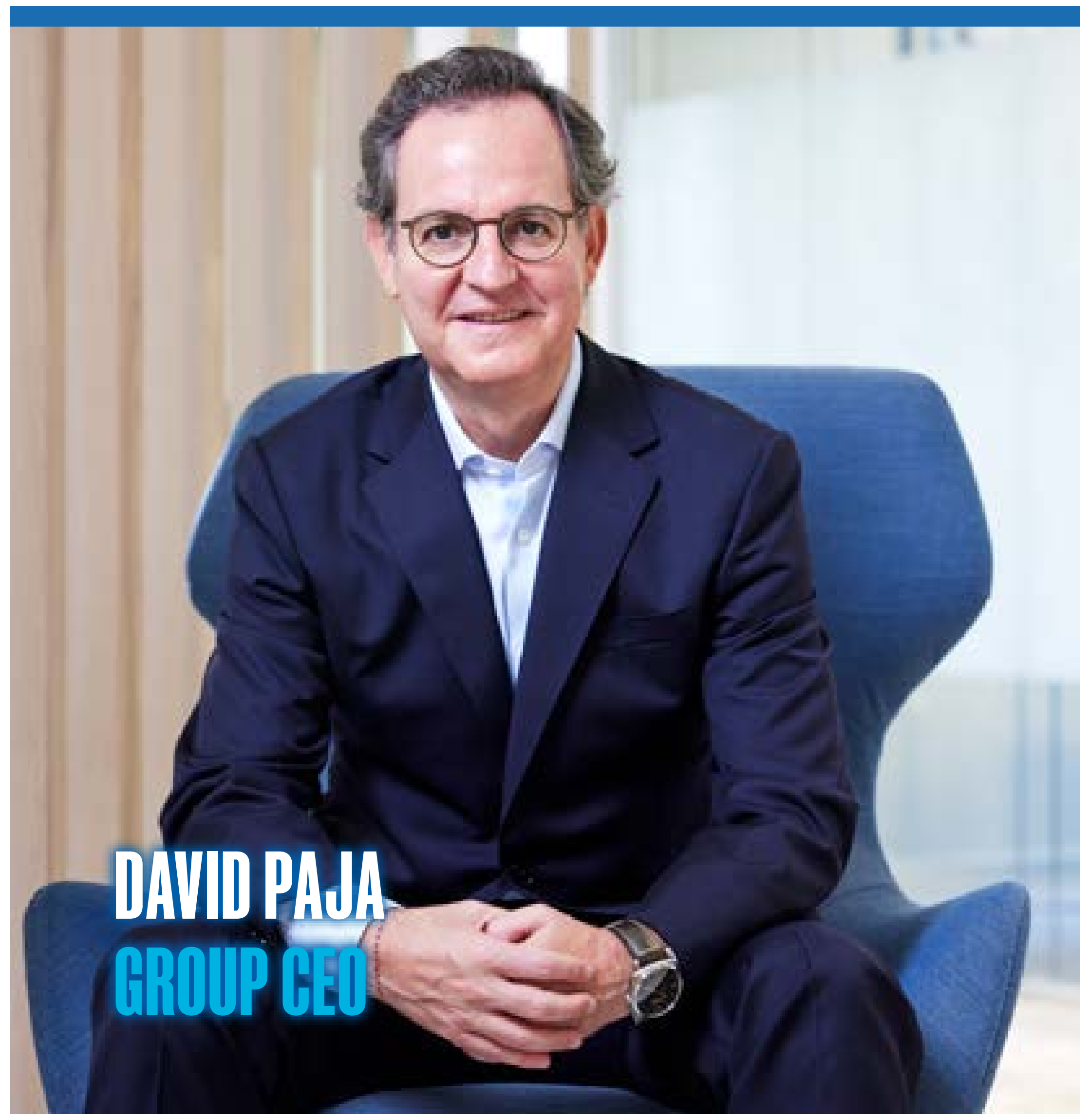
Performance Materials had a challenging year with most of its end markets simultaneously weakened. The problems in our North America yarns business are structural and, as a result, we decided to right-size our footprint with the closure of our facility in Toluca already executed at the end of 2024. This has set us up for improved profitability in 2025. The rest of the Performance Materials portfolio is attractive in terms of growth and profitability profile and will benefit with the market recovery. I am especially excited by the prospects for our Telecom and Energy businesses going forward. In 2024 we started production of reinforcement tapes for flexible energy pipes in Spain and we see significant product-led growth opportunities in this sector over the next few years. We have continued to focus on performance threads for automotive, and we achieved market share gains at two large automotive customers.

Looking ahead

Based on current market conditions and normalised customer buying behaviour, we anticipate another year of financial and strategic progress in 2025, in line with market expectations.

This guidance reflects continued organic growth for Apparel and Footwear, in line with the medium-term growth targets for these divisions. Organic growth in Performance Materials is expected to be modest with no expected recovery in the America's Yarns business and a gradual recovery in the Telecoms and Energy business. Margins in 2025 should benefit from further growth, improvement in Performance Materials and the final benefits from strategic projects, which will be balanced in part by some targeted reinvestment to drive long term growth initiatives.

Free cash generation is again expected to be strong in 2025, supporting the Group's capital allocation strategy.



WELCOMING DAVID PAJA

DAVID PAJA JOINED THE COATS BOARD ON 1 SEPTEMBER 2024 AND ASSUMED RESPONSIBILITIES AS GROUP CEO ON 1 OCTOBER 2024

Originally from Spain, David has an engineering background and an MBA from Insead. He brings a wealth of experience to Coats, with an international career spanning more than 30 years across America, Europe, and Asia. David has led multi-billion dollar technology businesses in three different industrial sectors: automobile, aerospace and defence, and fire and security.

Before joining Coats, David was the CEO of GKN Aerospace, part of Melrose Industries PLC, where he played a significant role in the successful turnaround of the business and delivery of profitable growth.

He has also led large global engineering and manufacturing businesses at both Honeywell and Aptiv where he accelerated organic and inorganic growth across different industries.

1. What made you want to join Coats?

Coats is a global market leader with a strong focus on sustainability. With more than 250 years of history, it has continually reinvented itself.

The industries that we serve are undergoing substantial transformation with the shifts in consumer preferences, the need to become more sustainable, and the digital transformation.

I love being a leader in a changing industry. It provides the opportunity to shape the future of the industry and, as a result, to accelerate the company's growth.

2. What are your observations on the business?

Coats is a company that punches substantially above its weight.

Before I joined Coats, everybody warned me that this is a very complex business. Indeed, we serve c.25,000 customers across 50+ countries from 44 production sites. I have spent the first months on the road trying to understand this complexity, and how we create value for our customers.

Our products represent a small part of the final product cost, but they are critical to its design, production efficiency, quality and performance.

We are by far the largest player in our space, and as such, we set the industry standards in terms of product performance, product quality, sustainability and customer service.

Our financial performance is above what you would expect from a textile supplier. This is because of our scale, the value of what we do, and the investments we make to stay ahead. In fact, our ability to handle complexity sets us apart.

I look at Coats as a premium industrial company more than a traditional textile supplier.

3. How will your experiences with other organisations shape your approach?

Over the past 10 years Coats has diversified itself, evolving from a thread supplier in the textile industry and B2C crafting business, to a provider of fibre and polymer-based solutions to multiple industries. Today, 27% of our sales are non-thread, and 16% of our customers are in new industries such as automotive, telecom, or personal protection equipment.

My experience in managing global multi-billion dollar manufacturing and engineering businesses across different industrial sectors, and leading diverse global teams, is highly transferable to Coats as we strengthen our global leadership in our core business and continue to expand into adjacencies for growth.

4. What is your vision for the Company, over the next 3-5 years?

Coats is at a very exciting inflexion point today.

Over the past few years, we have rationalised our portfolio, consolidated our footprint and de-risked our pension liability. As a result, we are a well-performing business with opportunities for further improvement, and our strong cash generation gives us optionality for the future.

My vision is to be a premium industrial company, and to accelerate performance to consistently deliver annual growth of >5% and profitability at 19-21% EBIT margins.

Group CEO's Q&A cont.

Over the last 6 years we have been gaining share in our core markets through our leadership in sustainability. We have room to grow this further by strengthening our leadership in sustainability and stepping up our focus on innovation and digital.

Additionally, after our two recent successful acquisitions in Footwear, we have proven that we can deploy capital responsibly, and we intend to expand further inorganically.

5. What is your approach to fostering company culture and employee engagement?

Having worked in different companies I can say that Coats' culture is unique and at the heart of our success.

At Coats, we care about our customers and communities, collaborate well, and have a real can-do attitude. This gives us a strong sense of ownership, agility, and resilience, which I see as big differentiators.

This comes through in the GPTW™ results because people feel motivated and empowered to deliver. Our 2024 survey had a 94% participation rate and produced an incredible 90% Trust Index, which is well above the world benchmark on engagement.

I am confident that with this winning culture, we can achieve our ambitious growth vision.

6. How do you envision Coats evolving under your leadership?

Coats has substantially improved over the past few years. The current strategic direction is sound, and there is no need to change it. You can expect Coats to continue to execute with excellence while we put more emphasis on growth. We will keep our focus on sustainability and become bolder in innovation and digital.

We will also pursue opportunities to expand organically and inorganically into adjacencies, but we will only do it where we can create shareholder value.

After more than 250 years of history, Coats is at the top of its game and has exciting prospects ahead. I intend to build on this legacy to take the Company to the next level.

Case Study
A Fond Farewell

A FOND FAREWELL TO RAJIV SHARMA

GROUP CEO

As we reflect on another successful year at Coats, we bid a heartfelt farewell to Group CEO, Rajiv Sharma, who stepped down from his role at the end of September 2024.

Rajiv's nearly 14-year tenure with Coats has been marked by many significant achievements.

Under his leadership, Coats has become a pure-play B2B industrial company with market-leading positions in the global Apparel, Footwear, and Performance Materials industries. His strategic vision has propelled Coats to new heights, including:

- **Public Listing Success**: Transitioning to a publicly-listed company on the London Stock Exchange, joining the FTSE 250 and FTSE4Good Index.
- **Innovation and Sustainability**: Establishing four innovation hubs and enhancing our reputation as a leader in sustainable practices.
- **Financial Growth**: Significantly improving profitability and cash generation; completing eight acquisitions in personal protection, software and footwear.
- **Coats Culture**: Transforming Coats into one of the world's top 25 best workplaces and strengthening our commitment to the communities in which we operate with the Coats Cares programme.

> "Rajiv has been instrumental in driving the transformation of Coats since being appointed Group CEO eight years ago. He leaves us in a much stronger position, with a platform for accelerating profitable growth."
>
> David Gosnell OBE,
> **Chair**

As Rajiv embarks on new ventures, he has a few final words to share with us all:

> "It has been an honour to be part of this incredible journey for the past 14 years. I feel blessed to have worked with very talented individuals and teams from the factory shop floor to the boardroom. Coats is much stronger today, and I am confident it will have a bright future."

Medium-term financial framework

APPAREL

REVENUE % (CAGR)	3-4%
EBIT%	>19%

FOOTWEAR

REVENUE % (CAGR)	7-9%
EBIT%	24-26%

PERFORMANCE MATERIALS

REVENUE % (CAGR)	6-8%
EBIT%	13-15%

REVENUE % (CAGR)	>5%
EBIT%	19-21%
FCF [1] (CUMULATIVE)	>$750m over 5yrs
ORGANIC EPS[3] (CAGR)	HSD%[4]
TOTAL EPS[3] (CAGR)	>10%[2]

1. FCF as adjusted free cashflow before dividend distribution
2. Post M&A or share buyback
3. From 2025 baseline.
4. High single digit

Strategy and Market Trends

OUR STRATEGY
ACCELERATE PROFITABLE SALES GROWTH, TRANSFORM THE BUSINESS AND CREATE VALUE

By leveraging innovation, sustainability, digital technologies and our global scale to create world-class products and services, we deliver value to our stakeholders.

OUR STRATEGIC ENABLERS

PIONEERING A SUSTAINABLE FUTURE

DEVELOPING INNOVATIVE SOLUTIONS

DELIVERING INDUSTRY-LEADING DIGITAL SERVICES

MARKET TRENDS

TREND 1
For more detail see page 53

Macro-economic conditions
1

In 2024 we saw continued uncertainty and instability across the globe, including the impending threat of global tariffs / trade wars, however we have encouragingly seen a number of our end markets return to growth.

TREND 2
For more detail see page 15

Sustainability
2

This is increasingly important due to consumer pressures, customer strategies, and legislative changes. It is central to our business, influencing our products and operations. Many customers are developing sustainability-focussed partner programmes. This trend is expected to grow in importance over time.

TREND 3
For more detail see page 29

Growth of Asian domestic markets and brands
3

Domestic consumer demand in Asia is growing faster than in the US and Europe. Favourable demographics and expanding consumer wealth drive this growth.

TREND 4
For more detail see page 19

AI and emerging digital technologies
4

In 2024, industry adoption of generative AI and digital technologies accelerated, enhancing speed, productivity, and supply chain transparency. Investments in technology and Gen AI solutions improved supply chain and support functions, while sustainability-led innovations reduced waste and increased productivity, all while maintaining cyber security vigilance.

Business Model

1 2 3 4
Relevant market trends
(see previous page)

HOW WE CREATE VALUE FOR OUR CUSTOMERS

SPEED
2 3

Speed to market is critical in an industry where lead times are short and getting ever tighter.

For more detail see page 30

INNOVATION
1 2 3

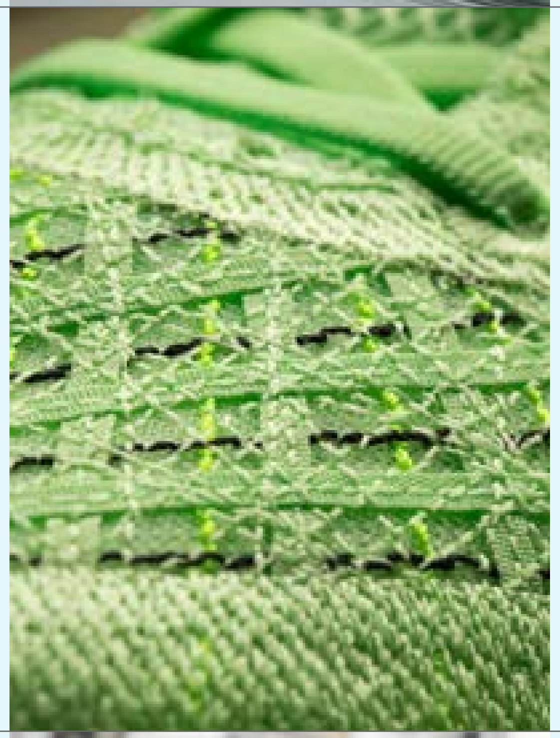
Innovation is at the heart of everything we do. We recognise that big, bold, game-changing ideas are critical to our success.

For more detail see page 17

QUALITY
1 2 4

We manufacture to high ethical, labour and environmental standards whilst delivering consistent colour and exceptional product quality.

For more detail see page 43



SUSTAINABILITY
1 2

Sustainability is a core part of our wider business strategy and an imperative to our mid- and long-term business success.

For more detail see page 15

PRODUCTIVITY
2 3 4

We provide high quality products, technical service advice and digital solutions throughout the production and sales process which drive efficiency benefits.

For more detail see page 33

RELIABILITY
2 3 4

Our track record for reliability and excellent technical customer service allows us to partner with leading global retailers, brands and manufacturers.

For more detail see page 20

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

EMPLOYEES
2 3 4

We are a proud employer of >16,000, highly engaged, committed and diverse permanent workforce.

For more detail see page 21

CUSTOMERS
1 2 3

We put our customers at the centre of everything we do, helping them to solve complex problems. As their expectations evolve, we continually drive towards responsibly sourced, sustainable products.

For more detail see page 20

SUPPLIERS
1 2 4

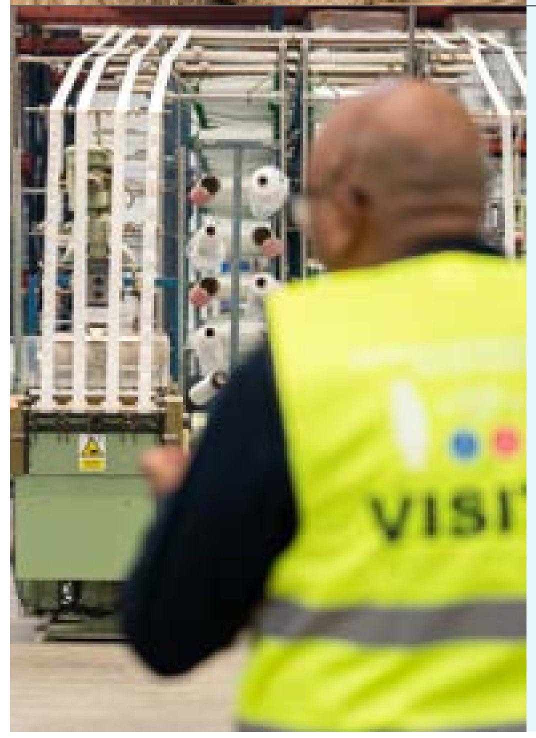
We look for the right balance of global, national and local capabilities to maintain supply chain agility.

For more detail see page 46

ENVIRONMENT
1 2

We are committed to achieving our climate goals that align with the global efforts to ensure a positive and sustainable future for all.

For more detail see page 15



INVESTORS
2 3 4

We are committed to delivering superior returns and long-term, sustainable value for our investors.

For more detail see page 44

COMMUNITIES
2

Coats is committed to being a good corporate citizen and an active member of the local communities in which we operate.

For more detail see page 25

Strategic Enabler

SUSTAINABILITY

EXTERNALLY ASSURED METRICS

Sustainability is at the very heart of our strategy at Coats. It encompasses the products we create and sell through innovation, as well as how we manage our operations. Our investment in sustainability, and leadership in sustainable innovation provides a strong competitive advantage with our customers.

In 2023, we commenced work to deliver external assurance of our seven core sustainability metrics, in accordance with ISAE 3000 (revised) and ISAE 3410 standards. We are delighted to now publish details of our 2022 baseline and 2024 results which have undergone limited assurance, without qualification. Details of our external auditors assurance statement can be found after the TCFD section, on page 182 of this report, with our comprehensive basis of reporting document published and available from the downloads section of **coats.com.**

On the right, we have outlined our highly ambitious short-term (2026), medium-term (2030), and long-term (2050) sustainability targets. By the end of 2024, we reached the midpoint in our 2023-2026 targets horizon, and we are fully on track to deliver on all targets. Full details of targets delivery and metric trends can be found on page 40 of this report.

Longer term, we remain fully committed to:

– Delivery of 'science-based target' emissions reduction across Scopes 1, 2 and 3 by 2030
– Achievement of Net-Zero emissions by 2050
– Continuing our transition to renewable energy with 100% renewable electricity by 2030
– Driving innovation in development and adoption of new market-leading eco materials to underpin our journey to 100% non-virgin oil-based materials by 2030.

We fully recognise the necessity of moving towards a circular economy and are dedicated to taking a leading role in this space within our industry. We aim to positively impact both the environment and society. Our sustainability targets are driven by our diverse, dynamic, and engaged team, each member contributing unique skills and experiences to Coats.

Our targets for the 2023-2026 period are geared towards achieving our longer-term sustainability commitments and help direct our focus as well as enabling tracking of progress across the Group.

Through these targets, we embed a holistic approach to sustainability, which balances sustainable resource management, environmental impact reduction and social responsibility.
We remain fully committed to leading the industry in sustainability and social impact.

2026 OUR NEXT CHAPTER SHORT-TERM TARGET

22% reduction in Scopes 1 and 2 emissions from 2022 baseline

60% transition to recycled or bio materials

33% increase in water recycling rate by 2026 from 2022 baseline

0% waste to landfill

100% effluent compliance (Roadmap to Zero)

88% GPTW™ coverage

30% women in leadership roles

2030 OUR GOALS FOR 2030 ARE CLEAR AND AMBITIOUS

APPROVED SCIENCE-BASED TARGETS WITH 2019 BASELINE THAT COMMIT US TO

46% reduction in Scopes 1 and 2 emissions

100% renewable electricity

33% reduction in Scope 3 emissions

FURTHER TRANSFORMATIONAL TARGETS

Zero products from virgin oil-based materials

70% of total energy from renewable sources

Circular product and packaging solutions

Increased positive social impact

2050 LONG-TERM TARGET

Net-Zero emissions in our value chain by 2050

Sustainability strategy in action

SBTI APPROVAL: A MILESTONE IN OUR NET-ZERO JOURNEY

In 2024 we achieved Science Based Target Initiative (SBTi) approval of our 2050 Net-Zero target. Setting and achieving this ambitious target ensures that Coats is fully contributing to global efforts to limit temperature rise to 1.5°C, which is essential for long-term environmental and economic sustainability.

The latest UN Intergovernmental Panel on Climate Change (IPCC) outlined that human-induced warming has already reached ~1.1°C above pre-industrial levels. The most recent World Meteorological Organisation (WMO) State of the Climate 2024 Update issued a red alert at the sheer pace of climate change in a single generation, turbo-charged by ever-increasing greenhouse gas levels in the atmosphere.

Coats is committed to playing its part to help mitigate climate change by transitioning to become a Net-Zero company. Reducing greenhouse gas emissions across our entire value chain therefore remains a bedrock of our short-, medium-, and long-term sustainability strategy.

In the short-term time horizon of 2023-2026, we have committed to deliver a 22% reduction in Scopes 1 and 2 emissions by 2026 from our 2022 baseline, and are proud at the extent to which we have already over delivered on this target. In 2024, we delivered a 51% reduction in absolute Scopes 1 and 2 emissions, primarily through the accelerated progress we have made on transition of electricity from fossil fuel to renewable generation sources. In 2024, 74% of our Group electricity was renewable certified – up from 29% in our baseline year, with delivery coming from a combination of rooftop solar, Power Purchase Agreements for off-site generated renewable electricity, and supplemental green energy through purchase of standalone Renewable Energy Certificates (iRECs). We now have rooftop solar installations in place across ten of our manufacturing facilities as at the end 2024.

Emissions related to raw materials continue to make up more than two-thirds of our Scope 3 emissions and delivery of our 2030 SBTi targets will be underpinned by our transition to non-virgin oil-based materials. Positive progress has been made against this target with dedicated cross-functional project teams focusing on materials transitions for threads, yarns and structural footwear materials. In 2024, we increased our preferred raw materials to a level of 46%, up from our 2022 baseline of 31% and 2023 level of 35%. Our innovation teams have dedicated efforts to development of new circular products which utilise post-industrial and post-consumer textile waste as the primary raw materials feedstock. Early customer trials in this exciting area are underway and we expect to commence scaling in the coming 12-18 months.

In 2024 we made further very significant progress towards our 2026 Zero Waste to Landfill target. In our 2022 baseline year we recorded 2.3k tonnes of waste which was sent to landfill, and through cross-functional team-working and external supply chain collaboration, we have reduced our 2024 landfill usage to 288 tonnes, equating to an 87% reduction from our baseline. As 2024 advanced, more business units reached the zero-target marker, leaving only a small handful of exceptions contributing to landfill waste, which by its nature was non-operational waste (predominantly legacy asbestos or medical waste which in some jurisdictions must be disposed of in controlled and regulated landfill facilities).

Equally, due to our stringent enforcement of our restrictive substance list on the upstream supply chain, we continue to prevent hazardous chemicals from entering our value chain and effluent treatment systems. This has been a key factor in maintaining notably high levels of compliance against the voluntary ZDHC Roadmap to Zero – Effluent Compliance programme this year.

We have committed to increase our water recycling rate by 33% from a 2022 baseline, and remain on track for delivery. This year we focussed on optimising existing water recycling facilities, extending capacities and implementing robust maintenance programmes to improve output efficiency. A total of 1.1 million cubic metres of water were recycled in 2024, equating to 27% of our overall water consumption. In addition, two industrial scale installations are under construction in both Indonesia and Bangladesh, which, once commissioned, will deliver a further one million litres of daily water recycling. Recycling feasibility studies continue to take place with priority attention being given to those locations situated in high water stress locations.

REDUCING LANDFILL WASTE TO ZERO

By implementing a variety of initiatives across the Group, Coats has reduced the landfill burden since 2022 by 87% to 288 tonnes of landfill in 2024. In addition, by the end of the fourth quarter 2024, we achieved zero waste to landfill, one year ahead of our published target.

The disposal of waste to landfill is a major environmental concern because it produces substantial amounts of methane, a greenhouse gas with a negative impact on global warming. Additionally, as organic materials break down, they have the potential to contaminate land, soil, and groundwater, through polluting leachates and toxins, adversely affecting nearby communities.

The initial step towards this goal involved developing a thorough understanding of the types and quantities of waste each business unit was sending to landfill. To facilitate this, we implemented new mechanisms for segregating waste and gathering data, enabling us to implement action plans to identify and implement more environmentally-friendly ways to manage this waste.

These routes include the reuse and recycling of waste material, and the conversion of some materials to energy, through incineration.

Strategic Enabler

INNOVATION

DRIVING GROWTH AND DIFFERENTIATION

Innovation remains a core driver of incremental growth, enabling us to meet evolving market demands with highly-engineered, differentiated solutions. We continue to strengthen our core technology in five areas – textile engineering, surface science, polymer science, fire science, and colour science – through strategic investments in capabilities and talent across our global Innovation hubs and spokes. These platforms not only allow us to solve customer challenges within our existing business but also enable us to enter adjacent markets, expanding our impact and growth potential.

Our commitment to innovation is exemplified by key advancements across all divisions:

- **Apparel:** Our focus on material transitions and recycled thread products has yielded exceptional results, with sales of recycled threads growing 144% to $405 million. These products underscore our leadership in sustainable innovations.
- **Footwear:** We continued to push the boundaries with Rhenoprint™ RP 2.0 a breakthrough in lightweight structural components that significantly reduces carbon footprints, made possible by our expertise in process and machine design. Additionally, we are expanding into the footwear woven uppers market, an exciting adjacency where we leverage our textile engineering expertise to develop high-performance, breathable, and durable woven uppers.
- **Performance Materials:** In the Energy sector, we are pioneering advanced tape solutions that reinforce and protect flexible offshore and onshore pipelines, addressing the need for durability and extreme environmental resistance. Additionally, we are expanding into Personal Protection Equipment (PPE) fabrics, applying our expertise to develop next-generation materials that improve worker safety and comfort.

Our robust technology platforms provide a solid foundation to collaborate with customers in creating products that address critical market trends, such as the adoption of recycled and bio-based materials, lightweight and safety-critical designs, and end-of-life recycling technologies. By harnessing these platforms, we not only enhance our product offerings but also foster deeper partnerships with our clients to co-develop solutions tailored to their specific needs.

Through these initiatives, we remain committed to re-imagining both what we produce and how we produce it, ensuring that innovation continues to drive sustainable and impactful growth for our stakeholders. This commitment enables us to stay ahead of industry trends and regulatory requirements, positioning us as leaders in responsible innovation. As we move forward, we will continue to invest in research and development, exploring new materials and technologies that align with our sustainability goals. By doing so, we aim to create a future where our products not only meet the highest standards of performance but also contribute positively to the environment and our communities.

FLAMEPRO™ SPLASH

REDEFINING WORKER SAFETY IN FOUNDRIES

In the high-risk environment of metal foundries, making sure workers are protected is non-negotiable. Addressing a critical gap in comfort and performance within existing protective fabrics, Coats leveraged its expertise in textile engineering and fire science to develop FlamePro™ Splash, a revolutionary solution now under patent protection.

THE CHALLENGE: BALANCING SAFETY AND COMFORT

Traditional molten metal protective fabrics, often wool-based, provide effective safety but fall short on comfort in high-heat, high-stress conditions. Market research revealed that discomfort could compromise worker focus and efficiency. This insight drove Coats' Innovation hubs in Bursa and the Americas to explore wool-free solutions that deliver both protection and comfort.

ADVANCED FEATURES

- Shields against molten metal splash, radiant heat, flame, and Category 2 Arc hazards.
- Provides enhanced comfort, breathability, and wearability without compromising safety.
- Solution-dyed for superior colourfastness, withstanding prolonged use and laundering.
- Skin-safe design prevents adhesion and breakage under molten metal exposure.

PROVEN IN THE FIELD

Wear tests at a US aluminium foundry confirmed superior performance by FlamePro™ Splash. Workers reported unprecedented comfort and flexibility, many choosing it as their uniform of choice. The fabric retained its integrity and appearance after months of use, proving its resilience in industrial conditions.

SETTING A NEW BENCHMARK

FlamePro™ Splash exemplifies Coats' commitment to addressing real-world challenges through innovation. Rigorously tested to meet relevant ASTM and ISO standards, it combines advanced molten metal protection with comfort, durability, and performance. Its industry-leading innovation was recognised at the 2024 National Safety Council (NSC) Safety Congress and Expo, where it was crowned 'Best in Show' at the New Product Showcase Awards.

Innovation strategy in action

Threading the future: EcoVerde™ and material transition in Apparel

In 2018, the Apparel division began their material transition and sustainability journey, aiming to shift from virgin to recycled thread products. This effort has led to increased sales from our Coats EcoVerde™ range of recycled products in 2024 – a 144% improvement in recycled thread sales over 2023.

A key factor in this progress has been our systematic approach to transitioning virgin polyester substrates to recycled materials. By evaluating raw materials, qualifying suppliers, and establishing product specifications, we are ready for a complete transition. Our latest innovation, the Coats EcoVerde™ Eloflex, a recycled Polybutylene Terephthalate (PBT) thread designed for athleisure, demonstrates our commitment to sustainable product development that meets the demanding requirements of seam softness, stretch, and durability.

Our advancements are supported by technology platforms in textile engineering and colour science, which have accelerated the development of sustainable threads. Leveraging these technologies, we have achieved measurable environmental benefits: recycling 2.9 billion bottles year-to-date, saving 869 million kWh of energy, and reducing our carbon footprint by 67.9 million kilograms.

As we continue our sustainability journey, we are focusing on the next phase of innovation at Coats.

Key areas include:

- Circular Polyester: Evaluating a polyester fibre made from textile waste to prevent millions of garments from ending up in landfills or incinerators, reducing environmental impact.
- Bio-Based Materials: Exploring alternatives to support our goal of net-zero emissions.
- Next-Generation Threads: Projects include cellulosic threads for circular denim, pucker-free thread solutions, and hole-blocking threads for outerwear. These threads, designed with functional finishes, represent the future of Coats.

Our material transition journey and thread innovations are central to our sustainability efforts. With support from technology platforms and brand collaboration, we remain dedicated to driving innovation, reducing environmental impact, and shaping a more sustainable textile industry.

Stepping into the future: innovations in Footwear

Our innovation pipeline is strategically aligned with emerging consumer trends, focusing on sustainability and circularity, wearable technology, and delivering high performance while enhancing comfort. By leveraging our core technology platforms in polymer science, surface science, and textile engineering, we develop differentiated products that meet the evolving needs of consumers and customers.

Rhenoprint™: Evolution through digital integration

Building on the success of Rhenoprint™, we introduced its latest evolution now featuring an integrated RFID chip solution that enhances sustainability and drives digital transformation. This advancement retains Rhenoprint's hallmark features, such as zero-waste production and reduced material usage, while significantly lowering CO_2 emissions for an even greener footprint.

The integrated RFID chip offers precise tracking and life-cycle management for each component, enabling efficient recycling and end-of-life processing. Additionally, it provides a robust solution for product authentication and helps prevent product and brand piracy, safeguarding both consumers and businesses. By marrying cutting-edge digital capabilities with sustainable practices, Rhenoprint™ sets a new benchmark for eco-conscious innovation.

Imperfirm Fuze™: pioneering new technology

During the year, we launched Imperfirm Fuze™, a revolutionary toe puff solution used in performance running shoes that feature new upper constructions. Imperfirm Fuze™ is engineered to withstand bonding conditions of above 200°C and 50 bar, delivering exceptional bonding and fusion properties. This results in a translucent, stiff structural component that enhances shoe performance and durability.

In addition to its superior performance, Imperfirm Fuze™ significantly lowers the carbon footprint and minimises waste during production. This innovative solution makes shoe manufacturing more energy-efficient and environmentally friendly. The enhanced durability reduces the need for frequent replacements, further decreasing material consumption and waste.

Imperfirm Fuze™ also enables more intricate and sustainable designs that use fewer materials and resources, aligning seamlessly with the industry's sustainability goals. Moreover, shoes produced with our new technology are easier to disassemble at the end of their life cycle.

Strategic Enabler

DIGITAL

Our digital offering is another differentiator and enhancing our global digital infrastructure and capability is a key piece of our strategy.

We are accelerating our vision to build a digital platform ecosystem that creates end-to-end superior customer value for manufacturers and brands globally, spanning across product selection, sampling, ordering, tracking, customer service and payment management.

In 2024, over 80% of customer orders in Apparel were processed through our leading ShopCoats platform, with improved customer satisfaction and growth from new digital features such as the ShopCoats mobile app that allows orders to be placed anywhere anytime, increased visibility to our available inventories, improved technical support through our Tech Connect solution which enables our customers to seek real-time online support for issues encountered; and for China, the launch of an online store on WeChat.

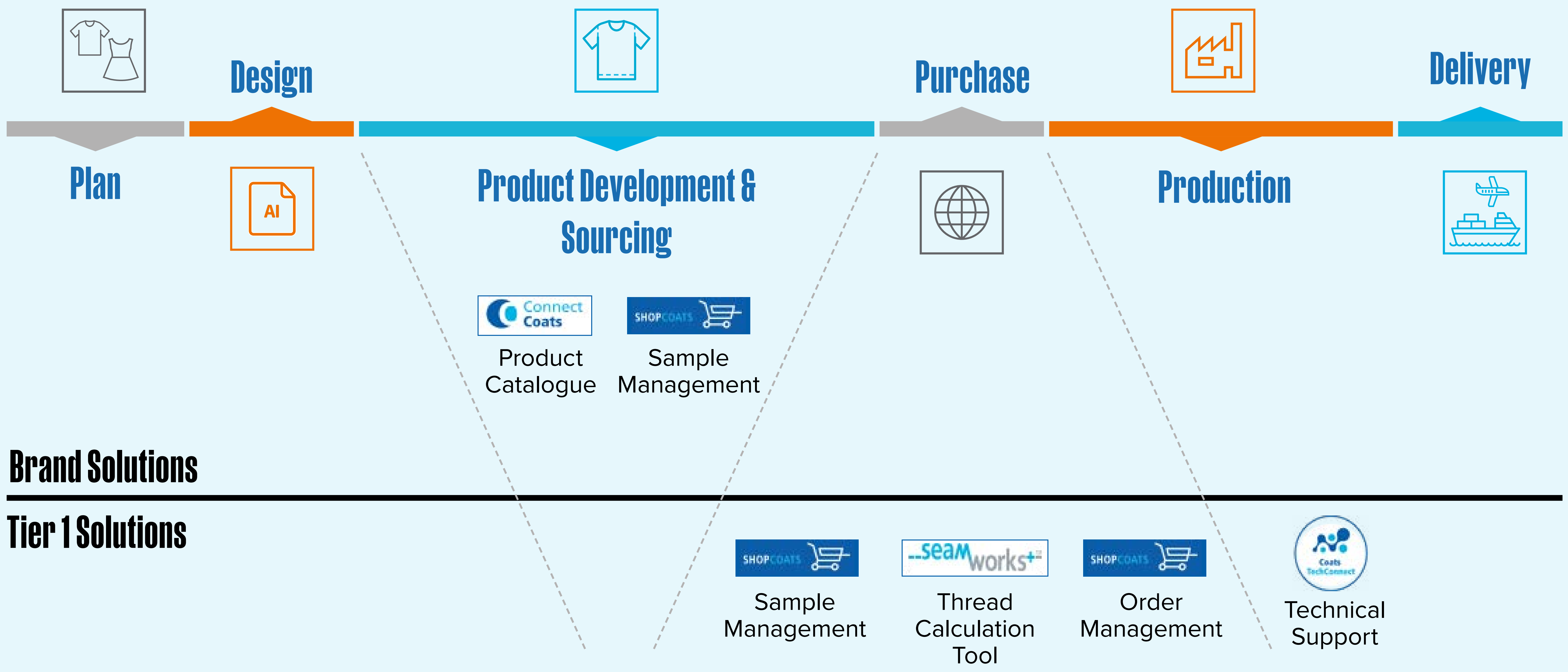
Coats Digital, our software products business, offers industry-leading productivity solutions to manufacturers and brands by bringing transparency and standardisation to the calculation of production costs across the value chain, and enabling manufacturers to plan their production lines more effectively to cope with frequent order changes. In an increasingly volatile, uncertain and complex world, in which speed, productivity, operational and cost efficiency are terms of trade, our solutions are increasingly becoming the software of choice. In 2024, Coats Digital reported a 21% increase in top-line revenue ($11 million), a 50% surge in order bookings, and a 12% rise in annual recurring revenue.

STRATEGY IN ACTION

OUR DIGITAL PORTFOLIO

Our vision is to create a proprietary and cohesive customer experience for brands and tier 1 garment and footwear manufacturers, making trading with us truly frictionless, intuitive, and superior to any competitor.

We track the customer journey from garment planning and production, through to delivery and payment management. Our strategy is to digitise each of these stages as far as possible, creating a cohesive trading platform between Coats and its customers. This enhances customer loyalty, reduces waste, and provides valuable analytics to enable better and more efficient production for both Coats and its customers.



Technology strategy in action

INTEGRATING INTO CUSTOMER PREFERRED PLATFORMS

Coats official WeChat Mini Programme: expanding into China's vast and diverse customer base

In October 2024, Coats China launched its Online Store via WeChat Mini Programme, marking a key milestone in our ongoing efforts to expand our digital footprint and engage directly with its massively diverse small business customer base in China. This launch is an integral part of Coats' strategic 'Now China' initiative, designed to harness the full potential of digital technologies to drive sales growth, streamline customer experiences, and support the Company's long-term vision in the important and growing country.

WeChat is China's largest social media platform and provides a comprehensive ecosystem offering services like shopping and mobile payments. The WeChat Mini Program serves as a robust digital store-front. Coats WeChat store provides a seamless and integrated shopping experience, enabling local customers to browse, chat, and purchase a wide range of Coats high-quality products directly from their smart phones – anytime, anywhere.

Complementing ShopCoats, the introduction of Coats WeChat Store unlocks immense potential for Coats in China, a market characterised by rapid digital adoption and growing demand for high-quality and sustainable solutions.

Seamless end-to-end system integration enhances customer experience

In this new lead-to-cash journey, Coats China leverage's social media platforms to run engaging campaigns, which drives traffic to the Coats WeChat Store, enabling customers to interact in real-time with our customer care team, browse products, select their preferred products, order and pay via WeChat Pay.

Customers can easily track their orders, monitor delivery status, and share feedback. This highly automated and integrated system ensures a smooth, transparent discovery-to-delivery experience, enhancing the overall satisfaction.

Overall, the Coats WeChat Store has positioned Coats to capitalise on the growing domestic opportunity, diversify its customer base, and strengthen its leadership in the Chinese market.

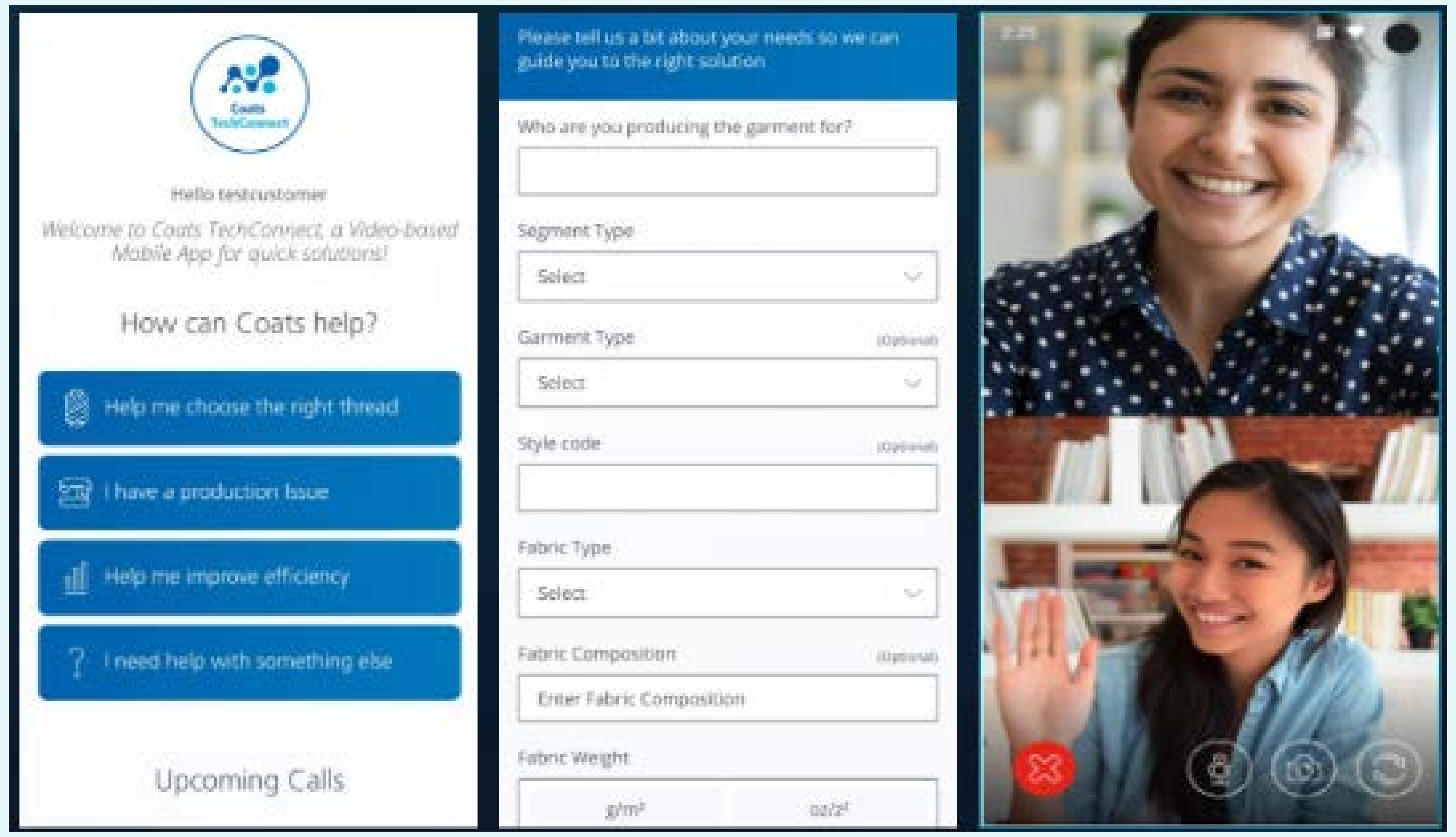
TECH CONNECT CHANGING HOW WE WORK

At Coats, we are dedicated to enhancing our customers' digital experience. The introduction of our exclusive Coats Tech Connect App in India has been a game-changer. This innovative app has created a community of over 120 technical professionals among our selected customers, leading to an increase in technical engagements, improved customer satisfaction, and increased sales.

The Coats Tech Connect App allows customers to place sewing thread inquiries, report production line issues, or seek advice on productivity improvements within their factories. Customers can connect with a Coats technical expert via text, voice, or video call in real-time. The call continues until the issue is resolved to the customer's satisfaction.

Whether customers need help choosing the right thread for their garments, factory floor advice, or any other support, the Coats Tech Connect App ensures they can connect with one of our 100 global technical experts quickly and efficiently.

> "Tech Connect has simply changed our way of working. It enables our technicians on the shop floor to connect quickly and directly with Coats Technical Services for recommendations that save time and avoid potential production disruptions."
>
> **Leading Indian apparel manufacturer**



OUR VALUES CAPTURE COATS' UNIQUE CULTURE

WE ARE COLLABORATIVE

Coats connects talent, textiles and technology to deliver great service and quality to our customers. We collaborate across all geographies with partners and customers to create the materials and products of tomorrow. We believe the success of our colleagues is the success of Coats.

WE ARE AGILE

With a proud heritage dating back more than 250 years and a spirit of evolution that drives us to constantly stay ahead of the game, we have always adapted to change, thriving and becoming stronger as a result.

WE HAVE A 'CAN-DO' ATTITUDE

We operate in a fast-paced, ever-changing world. We are confident, motivated and energetic dealing with new tasks and challenges, committed to serving our customers, trusted to deliver.

Our values cont.

WE ARE PASSIONATE

We are enthusiastic about our work, our colleagues, our company and especially our customers. Passion is seen in everything we do. We are proud that our employees find Coats a Great Place To Work® and to be voted as one of the top 25 best workplaces.

WE ARE DIVERSE

We operate across more than 50 countries, with a workforce of 16,000+ permanent employees. We speak over 30 languages and come from a wide range of backgrounds, including different cultures, genders, ethnicities, ages and experiences. We come together as one and are a company for all.

People and culture

> People grow businesses, and this is why our people are at the heart of everything we do. At Coats we are focussed on unlocking the potential of every individual, ensuring a customer-centric culture.”

Farnaz Ranjbar, **Chief Human Resources Officer**

PEOPLE VALUE PROMISE:

For today and tomorrow

An engaged and empowered workforce is the heartbeat of our success, driving innovation, productivity, and growth at every level. Our culture of engagement is not just a strategy, it’s our commitment to creating an environment where employees feel valued, inspired, and integral to our shared vision. This energy radiates beyond our walls, strengthening Coats’ reputation as a magnet for top talent, trusted clients, and visionary investors. Through our dynamic people initiatives, we cultivate a workplace where every individual experiences true belonging, fuelling resilience and sustainable success. By planting the seeds of what it means to be a Great Place To Work®, our programmes thrive, helping our people grow and flourish alongside the business they help build.

FOSTERING A THRIVING WORKPLACE:

Creating a Great Place To Work

At Coats, we are passionate about creating a great place to work! Every employee feels they belong, their voice is valued, and their contributions make a real difference. We believe that great people are the foundation of extraordinary achievements, and our culture of engagement is the driving force behind our success. It empowers individuals to bring their best selves to work, igniting motivation, commitment, and innovation at every level. We are deeply committed to magnifying the potential of our people, fostering a workplace where personal and professional growth go hand in hand. Through our diverse range of people-focussed initiatives, our dedication to being a Great Place to Work® is more than a promise; it’s a reflection of how we value our people. We support it with competitive pay, comprehensive benefits, and continuous opportunities for growth and advancement.
By nurturing a thriving, inclusive, and supportive culture, we attract top talent, delight our customers, and deliver sustained value for our shareholders. Together, we are building a workplace where extraordinary people can achieve extraordinary things.

50+ COUNTRIES

16,000+ PERMANENT EMPLOYEES

People and culture cont.

GROW AT COATS

Limitless potential of people

Grow is a transformative programme designed to accelerate career development and unlock individual excellence, used to bridge career growth with organisational success. Grow is a journey in two parts, tailored to empower employees at every career stage. Grow Ready focuses on identifying and unlocking individual potential, helping discover strengths and chart a path to success. Grow Learning equips our people with essential skills needed to thrive today and, in the future, preparing them to meet challenges with confidence and innovation. Grow leverages the latest techniques in talent management and learning and development to deliver experiences that inspire growth. Through personalised development plans, immersive learning modules, and hands-on coaching, employees gain access to forward-thinking and impactful tools. Whether mastering emerging technologies, honing leadership capabilities, or exploring cross-functional opportunities, Grow ensures our people stay ahead of the curve. At Coats, we don't just invest in careers – we invest in people, empowering them to flourish and drive Coats success to new heights.

COATS CARES

Connecting people, improving lives

At Coats, we believe in making a difference, not just in business but in the world around us. We are deeply connected to the communities we touch and are endlessly inspired by our passionate colleagues who selflessly dedicate their time, energy, and compassion to create real change. For years, Coats has championed meaningful causes, bringing hope and support to charities and communities in need. Now in our second year, we celebrate our unsung heroes. Coats Cares is our promise to continue this legacy and amplify our impact. See page 25 for our case study.

ENERGY4PERFORMANCE

Wellbeing at home and at work

Energy4Performance (E4P) is our comprehensive wellbeing programme designed to support the overall health and wellness of our employees, covering physical, mental, emotional, and social wellbeing. In 2024, we successfully trained over 900 managers as mental health first aiders, ensuring that employee wellbeing remains a top priority across the organisation. We launched more than 170 global initiatives, accompanied by consistent communication, educational resources, coaching, and recognition programmes to celebrate achievements. Recognising the diverse nature of wellbeing, we tailored global programmes to local contexts to maximise their impact. As a result, we saw notable improvements in our wellbeing scores, with increases of 6% in the Your Voice Matters survey and 5% in our Great Place To Work survey.

In November, our Movember celebration for Men's Health Awareness drew over 460 attendees at our global virtual events.

COATS FOR ALL

Celebrating diversity

Since 2021, we have voluntarily collected diversity profiling data from employees, including race, ethnicity, gender, sexual orientation, and military status, to enhance our employee experience strategy. Our Board Diversity Policy was updated to align with FTSE Women Leaders Review's recommendations on gender diversity and the Parker Review guidance on ethnic diversity at the board level. Currently, we meet these targets, with 44% female representation, two Board members from ethnic minority backgrounds, and six nationalities represented. Diversity, equity, and inclusion (DEI) global events are held biannually.

COATS FOR HER

Women in leadership

The dynamic 'Coats for Her' programme continues spearheading five impactful initiatives: Women in Leadership Fast-Track, Mentoring, Female Recruitment Campaign, Women's Visibility, and Return to Work. We introduced a talent acquisition playbook to attract the most diverse, equitable, and inclusive talent, as part of our recruitment policy. And we also elevated the visibility and profiles of female leaders across Coats through strategic spotlights, reinforcing our commitment to fostering a workplace that celebrates and advances gender diversity.

Our global female to male gender balance is 39:61 with 23:77 in senior leadership roles. We delivered a meaningful increase from 23% in 2023 to 30% in 2024 of females in senior leadership roles. Our target for 2024 was 25% and with this great achievement, we are in a very good position to meet our ambitious goal of 40% female representation by 2030.

APPLAUSE

Applauding outstanding employee contributions

Our Applause Recognition Program is all about celebrating the outstanding contributions of our people. No matter where we operate, we uphold the same high standards of excellence and professionalism, ensuring that everyone has an equal opportunity to be recognised. In 2024, more than 4,000 employees were honoured through our Applause Awards, which highlighted achievements in a range of categories.

APPRECIATION WEEK

Grateful for our people!

Every year, Coats recognises the heart of our organisation – our people – during Appreciation Week. This special week is a time to truly appreciate the dedication, passion, and hard work our employees bring every day to delight our customers and keep our company running smoothly. In 2024, our theme was "Grateful for You", where managers, colleagues, and teams came together to express their gratitude, fostering a deep sense of belonging and celebrating the unique contributions that each individual makes to our success.

Case Study
A Beacon of Hope

COATS CARES

CELEBRATING KINDNESS AND GENEROSITY

For many years, Coats has been a beacon of hope and progress, reaching out to communities around the globe. Coats Cares brings all of these community engagement projects under one big umbrella.

In October 2023, we introduced the Coats Cares competition to celebrate remarkable acts of kindness and generosity displayed world-wide.

The outpouring of support and engagement was extraordinary, with 101 entries showcasing unique and heart-warming stories of community upliftment. From this inspiring pool of submissions, our dedicated Coats Cares sounding board faced the challenging task of short-listing the top ten entries.

The Group Executive Team then selected five outstanding initiatives to each be awarded a $15,000 prize (which we are showcasing here), and all runners-up have been given $5,000. In total $100,000 was given back to Coats communities in 2024.

Bangladesh: Sponsorship Programme for Underprivileged Children

When families have to choose between education and food, for many students this would be the end of school. However, 15 underprivileged children at Utsho School have benefited from a full Coats sponsorship. Giving these children new hope and allowing them to create a better life for themselves and their families.

The prize money won was used to introduce a new computer lab at the school giving students the opportunity to gain essential digital skills.

> "At Coats, we believe that a sustainable future starts with the commitments we make today. 'Coats Cares' is our promise to create lasting value for our employees, communities and the environment – because caring is not just what we do, it's who we are."

Farnaz Ranjbar,
Chief Human Resources Officer

Case Study
A Beacon of Hope cont.

COATS CARES

BULGARIA
Care for Adults and Children

Coats Bulgaria has helped many children who have no families with gifts of food, clothing, toys and, most importantly, love and care. A charity bazaar was held to encourage Coats staff to contribute to this wonderful cause. This led to further gifts such as handmade toys and food being provided to orphans. Coats Bulgaria has also donated clothes to care homes for the elderly. Such donations and gifts have helped brighten the lives of both young and old.

INDIA
Skill Development Centres for Rural Women

For women in rural areas of India there is limited opportunity for skills development, reducing any potential to become financially independent. With this project we teach sewing, fabric design and stitching, which has encouraged many women to engage in income-generating activities, or even to start their own tailoring business. Not only does this allow these women to become economically empowered, it also contributes to the economic development of their region.

INDONESIA
Providing Water to Surrounding Communities

Coats Indonesia has provided a tap with safe drinking water just outside the gates of our Pleret factory. This has helped many families gain access to clean water to use in their daily lives.

This reduces the risk of disease and enabling nearby residents to save money and the environment as they do not have to buy expensive bottled water.

MEXICO
My Gift, Your Smile

Coats has renovated the school breakfast area at General Francisco López Elementary School in Nogales, close to one of our manufacturing plants in Orizaba.

Coats employees donated time to painting the walls after helping to design graphics for inside and outside of the breakfast area. We donated chairs, tables, a refrigerator, and a microwave for the benefit of the 193 students and nine teachers, who now have a more beautiful and dignified place to enjoy their meals.

Apparel Division

Adrian Elliott

CEO, Apparel Division
Joined Coats in 1988

"We continue to be very well-positioned, as the global partner of choice for our customers, with market-leading product ranges and customer service, and a clear leadership position in innovation and sustainability."

Adrian Elliott
CEO, Apparel Division

$770m
Revenue

c.100bps
Market share gains

What does Apparel division do?

Coats is the global market leader in supplying premium sewing thread to the Apparel industries. We are the trusted value-adding partner, providing critical supply chain components services and software, and our portfolio of world-class products and services provide exceptional value creation for our customers, brands and retailers.

2024 results

Revenue of $770 million (2023: $689 million) was up 13% on a CER basis (12% reported). As previously guided we saw customer inventory and buying patterns return to more normalised levels during the year despite wider macro concerns. This follows a prolonged period of industry destocking that commenced in 2022 and continued throughout the majority of 2023, and as such significantly impacts prior year comparators, particularly in the first half of the year.

The Apparel business continues to benefit from market share gains (2024 market share c.26% vs c.25% in 2023). We were also able to maintain pricing, and owing to our proactive procurement strategy, leverage moderating input costs in some areas. We continue to be very well-positioned in our markets, as the global partner of choice for our customers, with market-leading product ranges and customer service, and a clear leadership position in innovation and sustainability. With market conditions normalising, our strong market position, agile supply chain, global presence, differentiation at scale and focus winning brands and manufacturers provide further opportunities for growth and market share gains.

Adjusted EBIT of $151 million (2023: $120 million) increased 28% versus the prior year on a CER basis. The adjusted EBIT margin was 220bps higher at 19.6% on a CER basis (2023: 17.5%), which is well ahead of our 2024 margin target of 15-16%. This was driven by improving volumes, alongside continued savings from our strategic projects, ongoing procurement benefits, and some positive foreign exchange gains. Excluding these foreign exchange gains, underlying margins were around 19%.

Medium-term targets

Over the medium-term we expect Apparel to grow at a 3-4% CAGR, ahead of underlying market growth at 1-2% with market share gains and new organic adjacencies driving the outperformance. Continued market share gains will come from our deep customers relationships and our position as leader in sustainability, innovation and digital. We see opportunities in the China and India domestic markets with the growing middle class and opportunities to drive our fashion technology business Coats Digital. We expect the medium-term EBIT margin to be >19%.

Market conditions

The year 2024 presented significant challenges, characterised by shifting demand patterns and supply chain volatility driven by social tensions in key sourcing markets, disruptions in the Red Sea and major ports, and fluctuating consumer demand in primary retail markets. Despite these headwinds, athleisure continued its strong performance, and mid-market brands showed a promising recovery. Additionally, we observed a rebalancing of inventory levels across several brands and collections following the sharp reductions of 2023.

The competitive landscape remained intense but offered critical opportunities for Coats to reinforce its market lead and strengthen value-adding customer partnerships. Through strategic investments in sustainability, innovation, and enhanced capacities and capabilities, we underscored our commitment to setting industry benchmarks and delivering excellence.

Apparel Division cont.

People

Coats earned the prestigious Great Place To Work™ certifications in China, India, Pakistan, Bangladesh, Vietnam, and Honduras, reflecting our dedication to fostering inclusive, supportive, and high-performing workplaces.

In Shenzhen, China, a summer camp initiative was introduced to address childcare concerns, enabling employees to focus on their work with peace of mind.

Coats Indonesia and Vietnam conducted cancer prevention health sessions, enhancing employee wellness and awareness. In India, the inauguration of a new childcare facility further demonstrated our commitment to supporting employees and their families.

Communities

Coats continued to empower communities and prioritise environmental sustainability through impactful initiatives. In Sri Lanka, we showcased the talents of visually impaired women skilled in sewing and highlighted the versatility of our threads. On Earth Day, Coats teams participated in coastal cleanup efforts in Mount Lavinia, Sri Lanka, and Patenga Beach, Bangladesh, while in Romania, we cleaned up 16 children's playgrounds.

In Desa Cibolang, Indonesia, staff from Bogor facilitated improvements in water distribution, reaffirming our commitment to sustainable community development and environmental stewardship.

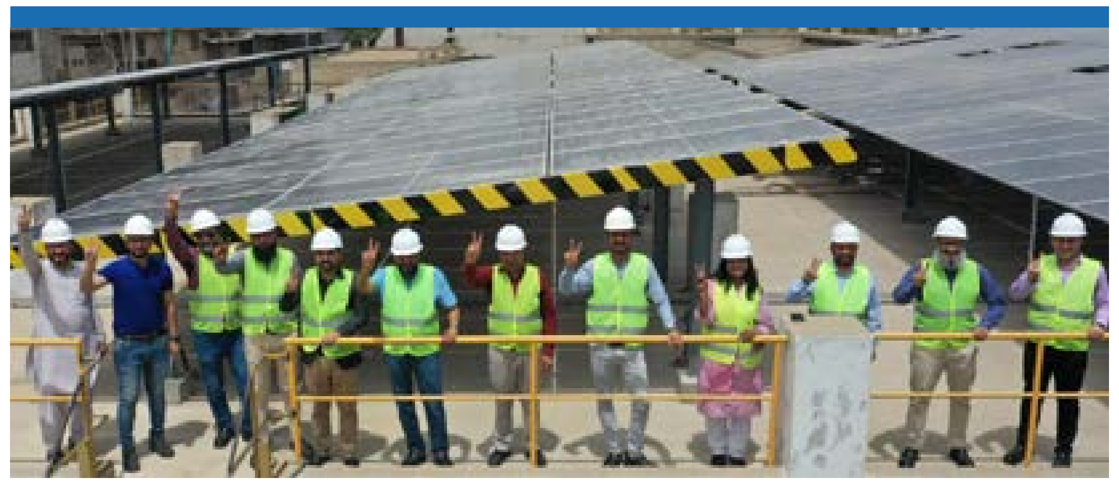
Sustainability

Coats continued to make significant progress in advancing sustainability across its global operations in 2024. In our Ambas, India, manufacturing site we operate Zero Liquid Discharge and have increased our level of water recycling from 77% in 2022 to 82% in 2023 and 84% in 2024. In Romania, lean projects on waste reduction delivered an 18% reduction in overall waste levels, while Coats Shenzhen, China, successfully attained Zero Waste to Landfill.

Coats Pakistan inaugurated solar power facilities, including a 120 kW ground-mounted installation in Lahore producing over 175 MWh annually, and a 125 kW rooftop solar energy installation at Karachi site.

All Coats factories in China achieved Zero Discharge of Hazardous Chemicals (ZDHC), while India maintained 100% compliance with ZDHC wastewater testing requirements for the third consecutive year. India also received the National Award for Environmental Best Practices 2024 for an innovative project recycling 200 tons of plastic waste annually. Furthermore, the India sales team reached a key milestone by converting 100% of premium tailors to Coats EcoVerde Ameto.

These accomplishments reinforce Coats' unwavering commitment to sustainability and environmental stewardship, setting benchmarks for responsible industry practices.



Coats Digital

Coats Digital, our software solutions and consulting division, achieved outstanding results, characterised by significant growth, innovation, and industry recognition. The business reported a 21% increase in top-line revenue, a 50% surge in order bookings, and a 12% rise in Annual Recurring Revenue.

GSD Cost earned two Just Style Excellence Awards in the Innovation in Supply Chain and Environmental Technology.

Coats Digital developed its commercial organisation across key geographies and further expanded its portfolio with the launch of three new products: FRP Cloud Business, FRF Business, and GSD Excellence, reinforcing its position as an industry leader.

Maintaining SOC 2 Type 2 and Microsoft Gold certifications for the third consecutive year, Coats Digital deepened its collaboration with Microsoft to develop innovative AI-powered experiences.

The business stands well-positioned and poised for continued customer expansion and growth.

Case Study
China Domestic Market

CHINA DOMESTIC MARKET

HIGHLY ATTRACTIVE GROWTH MARKET

“We have seen another year of strong double-digit sales growth in our offering to the China domestic market – this is a significant market expansion opportunity for us.”

Jamie Brown,
Managing Director, China

Case Study
China Domestic Market cont...

HARNESSING THE GROWTH OPPORTUNITY

Our sales have outpaced market development, growing double-digit in the Apparel segment and doubling in the Footwear segment. These results have been achieved as a result of commercial and operational excellence in response to four important trends in the market.

1. Speed to market

Firstly, speed to market and smaller garment production runs are increasing important as brands aim to reduce inventory holdings further and consumers look for more choice. To this end we have invested in more small lot and sample dyeing machinery in both Shanghai and Qingdao. Sample lot production has increased by 20% over 2023 which reflects our commitment to garment makers to enable the production of prototype garments within days. For bulk production, we have invested in automation in our operations, reducing lead-times and increasing productivity.

2. Higher quality and garment performance

Secondly, there is a clear trend towards higher quality and garment performance. Meeting this trend, our technical service teams are actively helping our customers to upgrade stitching and garment quality and efficiency in the active and outdoor segments. Furthermore, during the year we have opened two Brand Solution Labs, one in Shenzhen and one in Shanghai, spaces where customers and Coats can develop technical solutions, optimise stitching performance and resolve performance or quality issues.

3. Digital technology adoption

The third market trend is an acceleration of digital technology adoption in brands and manufacturers. In line with this trend, we have accelerated our investments in customer-facing systems and applications saving time, cost and resources for our customers. Examples include the addition of a faster sampling service to our Shop Coats website, a sample tracking service, order tracking and innovative digital marketing.

4. Sustainability

Our customers working in the Chinese market are placing more emphasis on sustainability and traceability. 42% of our polyester sales are now made with recycled material. Brands have shown special interest in both our chemical management, with emphasis on restricted substances, and water management. Currently 79% of all water used in our Shenzhen dyehouses is generated from effluent recycled in our waste water treatment plant.

Furthermore, we are members of the ZDHC advisory committee, and they have shown keen interest in our water intensity programme.

Our overarching Higg Index Version 3 score was 98% in 2023 (which is best-in-class) and for the 2024 Higg Index, version 4, we also achieved an excellent result. This validates the importance that Coats China places on all aspects of sustainability.

Our success in 2024 is only possible because of effective teamwork throughout the business. We achieved the GPTW certificate for the fourth consecutive year. Looking forward we expect market demands for speed, technical services and innovation to increase. We have laid the foundations during 2024 to be able to take advantage of the more demanding market and to grow our domestic business further in 2025.

Footwear Division

Frederic Verague

CEO, Footwear Division
Joined Coats in 2001

> "2024 has been another excellent year integrating our Footwear division from three businesses into one combined industry leader – we are excited about the future growth and cross-selling opportunities that are available to us."

Frederic Verague,
CEO, Footwear Division

$403m
Revenue

c.200bps
Market share gains

What does Footwear division do?

We are the trusted partner to the footwear industry, shaping the future of footwear for better performance through sustainable and innovative solutions. The combination of Coats, Texon and Rhenoflex makes us a global champion with a portfolio of highly engineered products with strong brand component specification, primarily targeted at the attractive athleisure, performance, and sports markets as well as structural components for premium leather handbags (lifestyle).

2024 results

Footwear revenue increased 10% to $403 million (2023: $368 million) on a CER and reported basis. The revenue growth was driven by the normalisation of customer buying patterns and inventory levels post the significant destocking cycle seen in 2022 and 2023 (which contributed to weaker comparators through most of 2024), albeit the recovery profile has been slightly behind that of the Apparel division, as previously reported.

Our Footwear division has a focus on innovation and sustainability, and this year we have introduced new products and technologies that meet environmental sustainability criteria, aligned with market and customer needs. Our combined capability as Coats Footwear has accelerated this process. Not only do we have a broad portfolio, but we also have a strong focus on fast-growth sports and athleisure brands which attract premium pricing. Our longstanding partnerships with leading brands enables our growth to be ahead of the market. We have also continued to deliver share gains and new programme wins taking our market share to 29% we estimate (2023 market share c.27%), strengthening our position as a trusted partner for the footwear industry. We continue investing in dedicated resources to key brands and retailer and sustainable innovation capabilities.

Part of the strategic rationale for combining the three footwear businesses (Coats' existing Footwear thread business, Texon and Rhenoflex), has been to enable cross-selling of our broad range of products to customers through a single customer-facing commercial team. We have created a number of opportunities for complementary offerings, with our customers seeing the potential to simplify and optimise their supply chains and we are pleased with the progress in 2024. We are now seeing the benefits of this, and in the period succeeded in cross-selling our products to two large well-known European sports brands, as well as a leading US brand.

Adjusted EBIT of $95 million (2023: $84 million) with adjusted EBIT margin was 70bps higher at 23.5% on a CER basis, significantly in excess of our 2024 margin target of >20%, driven by a combination of improved volumes, strong commercial delivery and continued benefits from the acquisition integration synergies. Acquisition integration has focused on commercial and general & administrative costs, as well as on procurement, and consequently we have delivered $22 million of annualised efficiency savings (significantly ahead of our initial guidance of $11 million savings).

During the second half of the year we have commenced some consolidation of sites within Europe to drive improved operating efficiencies, and also expanded our Indonesia operations to provide greater capacity in this fast growing footwear market which is becoming increasingly important to our customer and supplier base.

Medium-term targets

Over the medium-term we expect Footwear to grow at a 7-9% CAGR, ahead of underlying market growth at 4-5% with market share gains and organic expansion into adjacencies driving the outperformance. Market share gains will come from our position as leader in sustainability, innovation and digital. We see opportunities to cross sell to customers in legacy thread or structured components businesses and in the China domestic market. We will also focus on structured components and threads for lifestyle products. We expect the medium-term EBIT margin to be in 24-26% range.

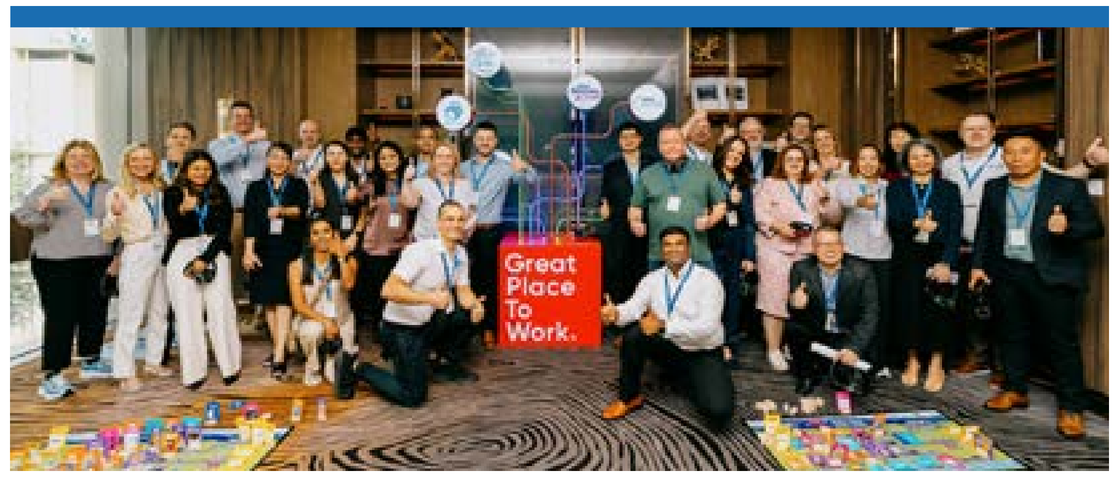
Footwear Division cont.

Market conditions

As the industry rebounded in 2024, Coats emerged as a market leader, thanks to its expanded product portfolio and strong brand presence. We leveraged cross-selling strategies to continuously drive market share gains and support new developments.

Running has re-emerged as a major focus, with Coats' diverse product range and unmatched global footprint meeting the growing demand for high-performance products and local supply chains.

Brands increasingly demand innovative, sustainable solutions, and Coats leadership in R&D and sustainability is setting it apart from the competition. Coats Footwear continues to lead in value, innovation, sustainability, team strength, and footprint, consistently delivering value added solutions for our customers.



People

Our people are our greatest strength, and this year we have seen the incredible impact of having one unified, focused team with an entrepreneurial spirit driving our success. Together, we have empowered our employees to unlock their potential, expand their knowledge, and deliver groundbreaking results fueled by customer-inspired innovation. With a shared vision and a dynamic, can-do mindset, our team has shown how collaboration and creativity can spark lasting value. We have fostered a culture that thrives on bold ideas, engages teams across every level, and encourages each person to think like an entrepreneur – solving challenges and seizing opportunities with passion and ingenuity.

Through tailored development programs, knowledge-sharing initiatives, and a commitment to innovation, we have equipped our people to excel in their roles and lead the charge in creating solutions that exceed customer expectations.

As we look ahead, our dedication to empowering talent, embracing a strong culture, and delivering customer-focussed innovation remains stronger than ever. We are stronger together and together we are shaping the future of footwear – and redefining what is possible.

Sustainability

The cornerstone of our innovation strategy is Sustainability, driving us to create a positive impact in the footwear industry. Our commitment goes beyond mere compliance with regulations; it embodies our responsibility towards the environment and future generations, fostering trust among our customers.

Our primary focus on reducing the carbon footprint of our products is at the heart of everything we do. We continuously strive to provide the best solutions for our customers, enabling them to achieve their sustainability goals and minimise their environmental impact. In our continuous journey towards a greener future, we are progressively introducing a carbon footprint tracker step by step across our production processes, ensuring transparency and accountability.

We are proud to announce that almost every one of our sites is now connected to Ecochain, enabling us to start monitoring and managing our environmental impact more effectively. Together, we are making significant strides in reducing our environmental impact and paving the way for a brighter, more sustainable future.

Innovation

We are relentless in our pursuit of reducing our environmental footprint and aim to lower the consumption of materials, energy, and water. This year, we are proud to report that over 48% of the raw materials used in our products are sustainable, being either recycled, renewable, or bio-based. By the end of 2024, we reached zero waste to landfill and greatly enhance our use of renewable energy sources, far surpassing statutory targets.

Our innovation project pipeline, aligns with consumer trends, focusing on delivering cutting edge solutions. Our highly experienced R&D team collaborates across specialist fields to create innovative products and processes.

We are excited to introduce the latest evolution of our favourite Rhenoprint™, now featuring an integrated chip solution that brings even more sustainable benefits and supports digital transformation. This innovative enhancement not only maintains the zero-waste production and reduced material usage that Rhenoprint™ is known for but also higher performance and significantly lowers CO_2 emissions, making it an even greater and greener choice.

Case Study
Investment in Indonesia

THE FUTURE OF FOOTWEAR

Our new Indonesian facility combines our existing excellence in thread production with cutting-edge structural components manufacturing, creating a one-stop-shop for our customers in this high growth footwear market.

"Our Pleret site, strategically located to be closer to our customers, is a hub of excellence where cutting-edge technology and responsible practices come together."

Frédéric Verague,
CEO Footwear Division

Sheet goods m²	Shoe capacity	New employees
10m	300m	182

Case Study
Investment in Indonesia cont.

INNOVATION IN INDONESIA

Our new Footwear facility underscores our commitment to innovation, efficiency and reducing CO_2 emissions.

The opening of our new footwear structural component factory in Pleret, Indonesia, marks a significant milestone in our global strategy. This investment is designed to bolster growth and enhance the Group's presence in one of the most rapidly developing markets for footwear production, aligning our production footprint with those of our customers.

Our new factory will create job opportunities, invigorating the local economy with a skilled and diverse workforce committed to progressive thinking. The facility is equipped with the latest technology and brand-new machinery, underscoring our commitment to innovation and quality. With an emphasis on automation, we are ensuring our operations are efficient, scalable, and adaptable to future advancements. The reduction in our CO_2 footprint that arises from this is aligned with the sustainable practices we are adopting across the Group, reflecting our responsible approach to the environment

The strategic selection of the location, prioritising sustainability, not only brings the business closer to its customers, thereby reducing emissions from transportation, but also leverages renewable energy technology. With solar panels meeting 10% of the Pleret site's structural components' energy needs, we are set to reduce our carbon emissions by 13 kilotonnes of CO_2 over 20 years.

The inauguration of this, our first Centre of Excellence for structural components, is a milestone that showcases our dedication to quality and customer satisfaction. It is the first of its kind in the world, integrating our footwear products (thread and structural components) under one roof.

Overall, this investment reflects a broader shift towards more responsible and advanced manufacturing in the footwear industry. It is a further testament to the Group's dedication to progress, sustainability, and the cultivation of a dynamic and inclusive workplace culture.

Performance Materials Division

Pasquale Abruzzese

CEO, Performance Materials Division
Joined Coats in 2025

"2024 was a challenging year for most of the industries that we serve, however we have made excellent progress setting the business up for future success through accelerated growth and margin enhancement, when our end-markets return to growth."

Pasquale Abruzzese,
CEO, Performance Materials Division

$328m
Revenue

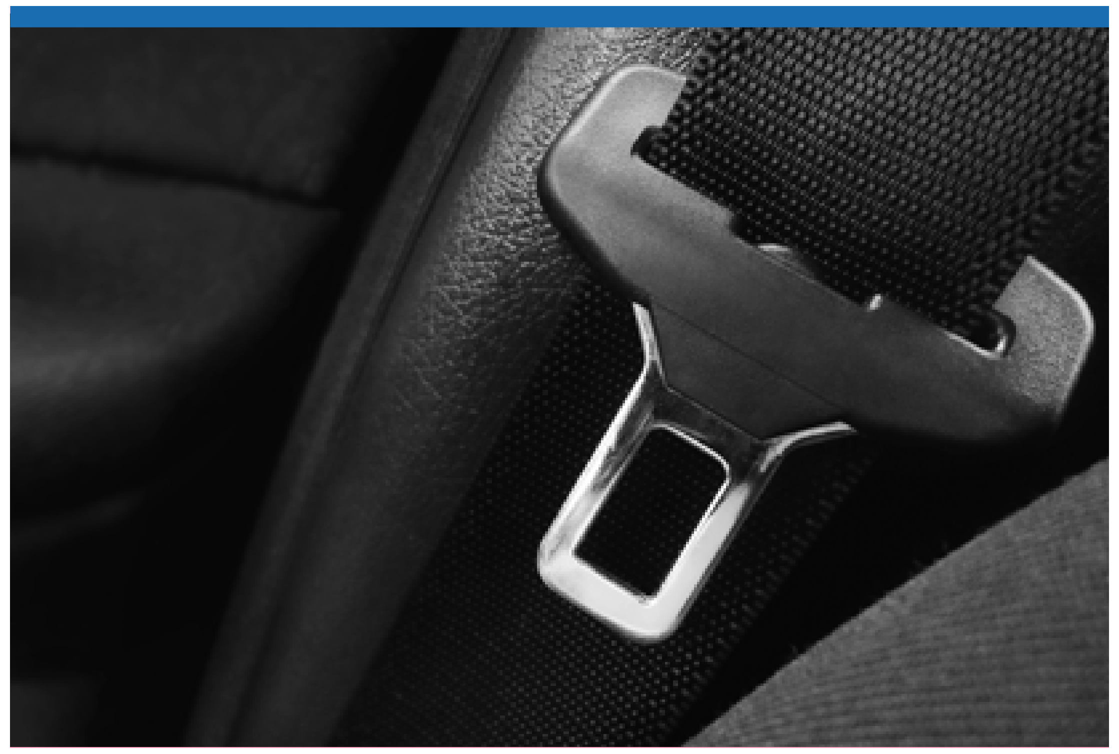
6
New products launched

What does the Performance Materials division do?

We are experts in the design and supply of a diverse range of technical products that serve a variety of strategic end use markets. Building on over 250 years of leadership in textile engineering we incorporate specific design features to provide highly engineered solutions for our customers. The division operates across Personal Protection Equipment (PPE), Telecom & Energy and Industrials. PPE offers multi-hazard industrial applications for industrial thermal protection, firefighting and military wear. Telecom & Energy provides products and solutions for fibre optic cables and oil & gas pipeline sectors. Industrials has applications in a range of sewn products including safety-critical automotive airbags and seat belts, outdoor goods, household products like bedding and furniture, hygiene-sensitive consumer goods like feminine hygiene products and tea bags.

2024 results

Performance Materials is structured as three sub-segments: PPE (38% of 2024 divisional revenue) which includes both the American yarns business and PPE threads and fabrics, Telecom and Energy 17% of 2024 divisional revenue) and Industrials (45% of 2024 divisional revenue).



PM revenue declined 1% to $328 million (2023: $336 million) on a CER basis (3% decline on a reported basis), with Personal Protection Equipment flat on a CER basis, Telecom & Energy decreasing by 7% (CER) against particularly strong comparators, and Industrials increasing by 1% (CER). As previously disclosed there have been issues in some US markets as well as destocking at some US telecommunication customers in Telecoms & Energy.

Adjusted EBIT was 12% lower vs 2023 on a CER basis at $24 million (2023: $29 million). Adjusted EBIT margins were 7.4% (2023: 8.6% reported), below the 2024 margin target of 13-14%, reflecting the softness of our end markets (which we expect to continue in 2025) as well as the underutilisation of our footprint in Mexico. Action has been taken to rightsize the footprint capacity in Mexico in relation to the changing medium-term demand dynamics in the American Yarns business with the announcement of the closure of the Toluca facility in December 2024. 2024 PM EBIT margins included c.$6 million of under-recovered costs in relation to the US / Mexico plant transitions, which will no longer be incurred following the decision to close the Toluca plant. Although actions taken in Toluca will yield immediate benefits, the progression of the margin will be dependent on volume recovery in yarns and stabilisation of the macroeconomic environment in Turkey.

Medium-term targets

Medium-term revenue growth potential is expected to be high single digits for PPE which reflects lower growth potential for North American Yarns offset by the higher growth PPE threads and fabrics business, low double-digits for Telecom & Energy (underlying market growth of >5% CAGR), and growth in line with global GDP for Industrials. The overall medium-term revenue growth target for the division is a 6-8% CAGR and we expect the EBIT margin to reach 13-15% in the medium-term through a combination of operational improvements, market recovery in Industrials and Telecom and growth initiatives in composite tapes for the Energy markets and PPE fabrics.

Market conditions

The recovery in demand from the Personal Protection Equipment, Telecom and Energy sectors in the US did not materialise as anticipated in 2024. US-based customers believe that this recovery is merely postponed, with expectations for a resurgence in 2025. In the EMEA region, manufacturing activity remained stagnant across key customer industries such as automotive and household goods for much of the year. Conversely, Asia experienced robust demand driven by local markets in China, India, Thailand, and Indonesia. Although demand from home furnishings exporters in Vietnam, India, and Pakistan softened in the latter half of the year, our strategic manufacturing footprint across key regions enabled us to gain market share throughout 2024.

People

In every aspect of our business, it is the passion, innovation, and dedication of our people that continue to drive Coats' success. Their commitment to excellence, engagement in creating a positive workplace culture, and focus on delivering outstanding results are the foundation of our achievements. With their support, we not only meet our goals but also build a stronger, more resilient organisation ready to thrive in the future.

Coats is proudly certified as a Great Place To Work™ across all Performance Materials sites, a testament to our people-centric approach and their exceptional contributions.

Our people are deeply committed to delivering excellence because they are part of an organisation with a purpose that goes beyond business. A key driver of this sense of purpose is our Coats Cares programme. Coats Cares not only strengthens our connection to the communities we serve but also instils a sense of pride and fulfilment among our employees. This programme exemplifies how business can drive positive change, ensuring that our success contributes to building stronger, more resilient communities.

Sustainability

We are now offering Coats EcoVerde™ Neophil in the automotive industry, providing a recycled polyester material for all new programmes.

For feminine hygiene and teabag applications, we are expanding our range by introducing man-made cellulosic fibres (MMCF), specifically Lyocell and Lyocell blends with bio-based PLA.

To support disassembly in mattress and workwear, we created EcoCycle™ HT, a high-tenacity, water-soluble polymer thread that dissolves at 110°C after a 30-minute wash. EcoCycle™ HT can be used in both needle and looper threads, or in the looper alone.

Coats is also proud to partner with Nexgen and Warren on biodegradable lambswool composite fabric for tree protectors. Using EcoRegen™ thread, they produced 1,000 tree shelters for the UK Forestry Commission, designed to compost into the soil.

Innovation

This year we launched the first recycled product in Telecoms, Coats EcoVerde™ Gral Ripcord. This eco-friendly yarn offers a great cutting modulus and is proven to perform as good as original polyester, providing both durability and efficiency. Excellent cutting properties providing easy access to the cable core during installation or maintenance of this. Available with protective finish coating the following additional properties will be obtained: Excellent resistance to abrasion, proven to help reduce ripcord size and anti-wicking finish to prevent water capillarity.

Coats EcoVerde™ Connect a sustainable, high strength hook and loop fastener made with recycled pre-consumer polyamide. With its significant recycled polyamide content and no sacrifice in strength parameters or durability. It also meets Oeko-Tex Standard 100 Class I and GRS standards. Main applications are workwear, bags, outdoor equipment, furniture, upholstery and many more.

Gotex Melting Binder product was launched for Fibre Optic cable manufacturers. A multi-filament yarn that melts in the extrusion process, it's ideal for drop cables and micro cables. This revolutionary binder allows the customers to take a step forward in offering a cable with improved installation time. In customer-led innovations we have provided different yarn solutions to the Military market including winter camouflage a special blend of Viscose fire resistant (FR), Aramid, FR Nylon, Antistatic fibre. We have also developed yarns for fire retardant underwear.

Case Study
Performance Materials

TELECOM AND ENERGY SOLUTIONS

HIGH-PERFORMANCE COATED YARNS AND TAPES

"The Gotex acquisition in 2016 has enabled us to create a market-leading global Telecoms and Energy business – we are excited about the future growth opportunity through innovation."

Pradipkumar Bahukudumbi,
Managing Director, Telecom & Energy

"Gotex is a place where enthusiasm, technical expertise, and flexibility come together to develop innovative engineering solutions. These advancements are enabling Soluforce to push the boundaries of composite pipe design, unlocking new possibilities for performance."

Robbert Laan,
R&D Manager, Soluforce

Accelerated sales growth

+15% 5 year sales CAGR.

2017-2022 Telecoms and Energy sales growth - prior to recent industry destocking period

Driving accretive margin expansion

Created a global business through organic / inorganic expansion

$50m sales in 2024

Case Study
Performance Materials cont.

COATS GOTEX

TRIPLED CAPACITY

Gotex's acquisition by Coats in 2016 has led to global expansion, innovation in Energy and Telecommunications, and enhanced employee engagement.

Acquisition and global expansion

In 2016, Coats acquired Gotex, a leading Spanish manufacturer specialising in high-performance coated yarns and tapes for the Telecommunications and Energy sectors. Since then, Gotex has successfully expanded its product range globally, generating $25 million in incremental cash flow while strengthening its position in these high-growth markets. To meet rising demand, Coats has invested $8 million in capital expenditures to enhance capacity and capability. In 2022, Gotex opened a cutting-edge facility, tripling its size to 13,000 m^2. This expansion boosted production and enabled strategic investments in innovation, strengthening our polymer science technology platform to drive future growth.

Building a legacy of innovation in energy and telecommunications

Gotex has continued its legacy of innovation with advanced product offerings and expanded manufacturing capabilities. In 2024, Gotex commissioned a state-of-the-art extrusion line for extruded tapes, enhancing its ability to deliver tailored solutions for the evolving needs of the industry. For the Energy sector, Gotex Xtru™ composite tapes are transforming pipeline technology by enabling the shift from traditional steel to lightweight composite pipelines, which offer greater durability, faster deployment, and reduced lifecycle costs. Customisable with high-performance fibres like carbon and aramid, Gotex Xtru™ addresses corrosion challenges in oil and gas pipelines, significantly boosting operational efficiency and pipeline longevity.

In the Telecommunications sector, Gotex products support the development of thinner, lighter fibre-optic cables that reduce deployment costs and withstand environmental stresses. Notably, the StremX product line, validated by extensive customer trials, achieved a significant reduction in material costs by replacing traditional aramid strength members in aerial cables. Additionally, Gotex's advanced low-melting binders streamline cable installation, further lowering deployment times and delivering significant cost savings for customers and end-users alike. Through these targeted advancements, Gotex continues to deliver exceptional efficiency and value across telecom infrastructure.

Strengthening employee engagement, inclusivity and social responsibility

In 2024, thanks to its impactful initiatives, Gotex achieved certification as a Great Place To Work™ for the third consecutive year, with a nearly 30% increase in its Trust Index. Key activities included introducing a "Volunteer Day Off" for community service, partnering with migrant youth foundations to offer mentorship and job opportunities and collaborating with disability organisations to enhance workplace inclusivity. Gotex also organised environmental volunteer efforts, such as a forest clean-up, supported local food banks, and held team-building activities to foster collaboration and morale. These initiatives reflect Gotex's commitment to community involvement, employee development, and sustainability.

Positioned for future growth

With a modernised production facility, an expanded product portfolio, robust innovation initiatives and excellent customer service, Gotex is well-positioned to continue driving growth and creating value in the high-demand Energy and Telecommunications markets.

Key performance indicators
Performance measures of the Group's progress

Link to strategy

- Profitable sales growth
- Transform the business
- Value creation

FINANCIAL KPIs

For further details of how these financial Alternative Performance Measures are reconciled to the nearest corresponding statutory measure, see note 36 on page 175.

2022 and 2023 KPI comparators are as reported in prior years and do not include any restatement for discontinued operations.

Revenue growth

Definition

Annual organic growth in sales at like-for-like exchange rates.

2024 commentary

Return to normalised buying patterns in Apparel and Footwear following prolonged period of industry destocking, with some offset by softness in certain Performance Materials end markets.

Performance

+9%

2024	9%
2023	-14%
2022	10%

Adjusted EBIT growth

Definition

Annual organic growth in operating profit, adjusted for exceptional and acquisition-related items, at like-for-like exchange rates.

2024 commentary

Volume growth alongside continued benefits from strategic projects and acquisition synergies. Inflationary pressures continue to be offset by price and productivity gains.

Performance

+18%

2024	18%
2023	-4%
2022	22%

EBIT margin

Definition

Adjusted EBIT as a proportion of revenue.

2024 commentary

Significantly ahead of 2024 target of 17% due to out-performance of the Apparel and Footwear divisions, with some offset from Performance Materials.

Performance

18.0%

2024	18%
2023	16.7%
2022	14.8%

Adjusted earnings per share growth

Definition

Annual growth in reported EPS from continuing activities, excluding exceptional and acquisition-related items.

2024 commentary

Strong growth driven by operating performance, alongside well controlled interest, tax and minority interest charges.

Performance

+18%

2024	18%
2023	0%
2022	16%

Adjusted free cash flow

Definition

Cash generated from continuing activities less capital expenditure, interest, tax, dividends to minority interests and other items, and excluding exceptional and discontinued items, acquisitions, and UK pension recovery payments.

2024 commentary

Very strong performance driven by operating performance and well controlled working capital.

Performance

$153m

2024	$153m
2023	$131m
2022	$114m

Leverage

Definition

Multiple of Net Debt (excluding leases) to EBITDA calculated on a proforma basis (includes the full year impact of acquisitions).

2024 commentary

In-line with 2023 despite UK pensions settlement of £100m during the year, as underlying cash generation remained very strong. Leverage remains in the middle of our target range of 1x-2x.

Performance

1.5x

2024	1.5x
2023	1.5x
2022	1.4x

Adjusted return on capital employed (ROCE)

Definition

Pre-exceptional operating profit from continuing operations for the year divided by capital employed (property, plant and equipment, acquired intangibles, right-of-use assets and lease liabilities plus net working capital) at year-end.

2024 commentary

Increase in the year driven by strong operating performance, alongside a well controlled asset base.

Performance

38%

2024	38%
2023	30%
2022	31%

Key performance indicators cont.

2024 SUSTAINABILITY KPIs

Having now reached the mid-point of our 2023-2026 sustainability strategy period, we are well on track to deliver our 2026 targets across all 5 of our sustainability pillars. We are delighted to confirm that this is our first year of reporting ESG metrics which have undergone public external limited assurance with no qualifications on disclosed metrics.

Energy

Scope 1 & 2 emissions

Target of 22% reduction in Scope 1 & 2 Emissions from 2022 baseline by 2026.

Definition

Absolute Scope 1 & 2 CO_2e emissions in tonnes.

2024 commentary

The primary driver for Scope 1 & 2 emissions reduction continues to be linked to our transition to renewable electricity where further progress was made in 2024 with an increase from 54% in 2023 to 74% in 2024.

In 2024 we delivered an overall 51% Scope 1 & 2 emissions reduction from our 2022 baseline.

Performance

51% reduction

2024	89,712
2023	111,155
2022	182,018

Materials

Preferred material %

Target transition to 60% sustainable raw materials by 2026.

Definition

Percentage of in-scope raw materials volume purchased, and goods receipted which are non-virgin oil-based.

2024 commentary

Further step progress has been made in 2024 in materials transition with our procurement, supply chain and commercial teams collaborating closely with upstream suppliers and material innovators as well as with our wide customer base.

Our preferred raw materials increased from 35% in 2023 to 46% in 2024, up from our 2022 baseline of 31%.

* 2022 and 2023 figures restated due to reclassification of fibreglass and clay materials

Performance

46%

2024	46%
2023	35%
2022*	31%

Water

Water recycling rate

Target to increase rate of water recycling by 33% from 2022 baseline by 2026.

Definition

Percentage of water that is recycled.

2024 commentary

In 2024 we have maintained the increased yields in water recycling in these facilities with existing water recycling capacity. Capital investments in new water recycling capacity planned in 2023 have now moved into the project implementation phase with build and commissioning planned through 2025.

In 2024, we delivered an 14% uplift in water recycling rate versus our 2022 baseline.

Performance

27.4%

2024	27.4%
2023	27.3%
2022	24.0%

Waste

Waste to landfill

Target to be a zero waste to landfill business by 2026.

Definition

Zero waste generated within our facilities being diverted to landfill sites.

2024 commentary

Through intensified focus on reducing landfill in 2024, inter-departmental collaboration, and heightened communication with suppliers and contractors to generate alternative waste solutions to landfill across the Coats Group, we have delivered an 87% reduction in waste to landfill from our 2022 baseline.

Performance

87% reduction

2024	288
2023	1,449
2022	2,296

Waste

Effluent quality

Target of 100% compliance to ZDHC (Zero Discharge of Hazardous Chemicals) standard by 2026.

Definition

Percentage of effluent that is compliant to ZDHC Foundational standards for effluent and sludge.

2024 commentary

Continued strict focus on all suppliers adhering to our restricted substances list means that we restrict entry of hazardous chemicals into our value chain, thus preventing their discharge in our effluent treatment plants.

In 2024 we achieved our highest reported compliance rate of 99.85%.

Performance

99.85%

2024	99.85%
2023*	99.83%
2022	99.75%

People

GPTW® certification

Target of 88% employees covered by GPTW® certification by 2026.

Definition

Percentage of employees in Coats units that have a Great Place To Work® (GPTW®) or equivalent certification.

2024 commentary

We were recognised as the best workplace in Manufacturing and Production by Fortune and GPTW. Certified across 22 countries – covering 95% of our workforce and exceeding 2024 goals. Coats was also listed as Best Workplace in Manufacturing and Production in the UK, USA, India, and Honduras. These achievements underscore Coats' unique culture and steadfast dedication to being a global leader in workplace excellence.

Performance

95%

2024	95%
2023	87%
2022	86%

People

Diversity and Inclusion

Target of 30% females in senior leadership roles by 2026.

Definition

Percentage of females in senior leadership roles.

2024 commentary

By laying the foundation of Coats for Her Programme and consistently nurturing it, we have confidently hit our 2026 target well ahead of schedule. The female representation in senior leadership roles rose from 23% in 2023 to 30% in 2024, reflecting our commitment to advancing gender equity and inclusion.

Performance

30%

2024	30%
2023	23%
2022	19%

Non-financial information statement

The non-financial reporting regulations in section 414CA and 414CB of the Companies Act 2006 require the disclosure of specific information relating to environmental matters, the Company's employees, social matters, respect for human rights and anti-corruption and anti-bribery matters, a summary of which is set out below.

Full details of all our policies on these matters can be found in our downloads section. We are Participants of the United Nations Global Compact (UNGC) and are committed to the ten principles of the Compact, covering Human Rights, Labour, the Environment and Anti-corruption.
Our Sustainability Report is our formal annual UNGC Communication on Progress (COP) and contains fuller information across all of these areas.

The environment

We are highly committed to environmental sustainability at Coats, and this sits as a central focus area in our wider ESG strategy. In 2024, the Science Based Target initiatives approval of our 2050 Net-Zero target signifies our commitment to limiting global temperature rise to 1.5°C as set out as a requirement for long-term environmental and economic sustainability under the Paris agreement. Decarbonising our value chain to Net-Zero levels necessitates that we reduce our energy consumption, transition to renewable energy and transition away from raw materials derived from virgin oil-based products. We have commenced development of our detailed transition plan as per the Transition Plan Taskforce requirements and we plan to have this completed in 2025.

Through 2024 we have contracted project work on two sizeable water recycling projects; one in Indonesia and the other in Bangladesh and full build and commissioning of these recycling plants will be completed in late 2025, supporting delivery of our 2026 target to increase water recycling rate by 33% from our 2022 baseline. We recognise the imperative for water stewardship by conserving and minimising new water extraction from local water tables, and we are actively working to reduce our impact in this area.

Our key policies in this area are our Environmental and Climate Policies which can be found on our website. Fuller details of our environmental performance can be found in our **Sustainability Report**. The importance of our environmental policies and performance is described on page 43.

Both environmental non-compliance and climate change are considered to be principal risks and details of our risk evaluations and mitigating actions are outlined on pages 186 to 188. Our TCFD statement is set out in pages 182 to 198 and outlines our approach to responding to the risks and opportunities arising from climate change. Our greenhouse gas emissions impact across Scopes 1 and 2 is assessed monthly with Scope 3 currently assessed on an annual basis. Details of our emissions disclosures can be seen on page 40.

Effluent quality is considered our key risk in environmental terms and we real-time on-line monitor key effluent measures in our large units, complemented by extensive analytical testing conducted by external laboratories across all effluent parameters every six months. Our effluent quality performance is shown in our KPIs section on page 40.

Employees

We are committed to providing a safe and respectful working environment for our employees and other stakeholders. We aim to have an organisational culture which promotes inclusion, diversity, belonging, equal opportunities, personal development and mutual respect. We aspire that our colleagues will enjoy being at work and will all contribute to creating an environment that is free of any discrimination, bullying or harassment. We seek to promote physical and mental wellbeing in our workplaces.

Our key people-related policies are our Key People Principles, our Health and Safety Policy, our Mental Health and Wellbeing Statement, our World-wide Employment Standards, our Living Wage Policy (see page 43), our Ethics Code (see page 43), our Equal Opportunities Statement and our Speak Up (Whistleblowing) policy (see page 43). All of these can be found on our website. Targets and performance on our people policies is described on page 40 of this report and in our **Sustainability Report**.

Principal risks related to this area are the failure to attract, retain and develop diverse and inclusive talent and capability given business changes, growth in new areas and labour availability, and the risk of serious health and safety incidents. These risk evaluations and mitigations are described on pages 50 to 56.

Human rights

Coats is committed to protecting the Human Rights of our employees and those working in our supply chain. We fully support the United Nations (UN) Guiding Principles on Business and Human Rights in our operations, and we uphold the UN Declaration of Human Rights and the Conventions on the Rights of the Child, the core International Labour Organisation (ILO) Conventions and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multi-national Enterprises and the related Due Diligence Guidelines for the Garment and Footwear Sector.

Our most recent human rights risk assessment was carried out in 2023 and our Group Internal Audit (GIA) team include aspects of Human Rights assessment in their regular audit programmes. Details on the outcomes of our GIA audits in this area are included in our **Sustainability Report** on page 66.

GIA audits in the year confirmed a number of controls are operating effectively and identified no catastrophic risk findings. Management have responded to identified issues with comprehensive and prompt action plans and implementation of these in the year has reduced the identified risks.

We collaborated with our suppliers to extend our principles up our supply chain and perform regular Group Supplier Code audits on suppliers that are identified as being higher risk. The outcomes of our Group Supplier Code audits are detailed in our **Sustainability Report** on page 64.

322 supplier audits were conducted in 2024, with 90% receiving a good rating and 10% deemed acceptable with some areas for improvement.

These findings were mainly around improving systems and processes across a range of safety, labour, environmental requirements and we are actively working with all of these suppliers for time bound corrective action plans.

Our Group Supplier Code has five red flags for child labour, forced labour, physical/mental abuse, anti-bribery and corruption, and minimum wage as per country standards and we have a zero-tolerance approach to any violations in these five areas.

As a result of our audits, we identified that four suppliers failed to meet our standards and the supply arrangements were terminated irrevocably.

Non-financial information statement cont.

Our key policies on human rights are our World-wide Employment Standards and our Group Supplier Code, and these can be found on our website. Further details on performance in this area can be found in our **Sustainability Report** and in our Modern Slavery Statement.

Social

We connect with broader society via our suppliers and their workforce, our interactions with local communities and neighbours, and through the products we offer to our customers and consumers.

Our Group Supplier Code, described on the previous page, describes the employment standards we expect from our upstream suppliers. There is a risk of non-compliance and reputational damage here, and the Group Supplier Code audit programme helps us to mitigate this risk.

In 2024, we continued to deliver on our Coats Cares programme which sets the foundations for our community engagement approach and enables our business units to engage with their communicates on issues that are deemed important at a local level. More details on Coats Cares can be found on page 25 of this report as well as in the People section of our **Sustainability Report**.

Our Restricted Substances List (RSL) programme ensures that our products do not present any risk to our customers and consumers and is actively managed with annual updates. Application of our RSL is a core part of our Group Supplier Code management as all inputs into our processes have to be certified as compliant to our RSL apart from a small number of industrial products with performance driven exceptions that are approved at senior management level.

Anti-bribery and anti-corruption

Coats is committed to the highest levels of ethical behaviour in all of our operations and has a zero-tolerance approach to any form of bribery or corruption or unethical behaviour in our operations and wider supply chains. We have a rolling programme of raising awareness across our business under the ‘Doing the Right Thing’ banner and this is underpinned by biennial training for all key employees (approx. 5,000 in total) in anti-bribery and anti-corruption, competition law and ethical behaviour. We have a whistleblowing system, ‘Speak Up’, that has internal and external reporting options and where every issue raised is fully investigated. The outcomes from our whistleblowing process are detailed on page 107.

Our key policies in this area are our Anti-bribery and Anti-Corruption Policy, our Competition Law Policy, our Ethics code, our Gifts and Entertainment Policy, our Speak Up – Whistleblowing Policy and our Undue Influence Policy. All of these policies can be found on our website. The main risk we are exposed to in this area is of non-compliance from our upstream supply chain and the reputational impact that this could have on us. This is managed proactively through our Group Supplier Code and associated Supplier audit programme described earlier.

Other matters

In addition, information required in relation to the Company’s business model is described on page 14. Principal risks including those that relate to matters above are included on pages 50 to 56. Key non-financial KPIs are shown on page 40 where we describe 2024 performance against our 2026 sustainability targets.

Non-financial information statement cont.

Our policies

POLICY	DESCRIPTION
People	
Key People Principles	This statement identifies the range of policies and procedures we have in place to manage our key people-related issues.
Health and Safety Policy	This policy outlines our commitment and actions for the prevention of injury and ill health and ensuring health and safety excellence across our business.
Ethics Code	The purpose of the Ethics Code is to ensure that employees across Coats have a clear understanding of the principles and ethical values that the Company wants to uphold. It applies to all employees in all Coats Group companies globally.
Speak Up – Whistleblowing Policy	The policy outlines the reasons for maintaining high standards of ethical and legal business conduct and describes the procedures for reporting acts which are thought to contravene these standards. Also outlined are the actions to be taken by the Company.
Global Employment Standards	As a global employer, Coats strives to follow ethical employment standards and believes the human rights of its employees are an absolute and universal requirement. Coats subscribes to the United Nations Universal Declaration of Human Rights and the Convention of the Rights of the Child.
Equal Opportunities Statement	The Company supports equal opportunities in employment and considers it to be an integral part of our employee relations policy.
Modern Slavery Statement (including a statement on transparency in supply chains)	This statement has been prepared for the year ending 31 December 2023 and is in accordance with the requirements of the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010. Furthermore, we support the United Nations Guiding Principles on Business and Human Rights throughout all our operations.
Living Wage Policy	At Coats people are at the heart of what we do. We aim to ensure that all employees receive a wage that is sufficient to afford a decent standard of living for the employee and their family. We are committed to paying a living wage to all of our employees.
Governance	
Anti-bribery and Anti-corruption Policy	This policy outlines the control of actual and suspected corruption and bribery within Coats, and the processes to be followed in the event of actual or suspected instances of corruption or bribery being discovered.
Gifts and Entertainment Policy	This policy sets forth the rules related to employees accepting and offering gifts, entertainment, hospitality and meals from and to current customers, suppliers, joint venture partners, brand representatives and others conducting (or proposing to conduct) business, directly or indirectly, with Coats.

POLICY	DESCRIPTION
Charitable Donations Policy	The purpose of this policy is to make sure that all Coats' charitable donations and sponsorships are aligned with our approach to 'Coats Cares', our Code of Ethics, our Anti-Bribery and Anti-Corruption Policy, our HR policies, as well as our wider Corporate Responsibility (CR) approach.
Competition Law Policy	This policy supports Coats' commitment to observing and complying with all applicable competition laws, rules and regulations wherever it operates around the world while acting with the highest ethical standards, in an open and honest way.
Suppliers	
Supplier Code	The Group Supplier Code outlines our expectations required of suppliers and covers labour practices, environmental management, responsible sourcing of materials and products, and business conduct.
Restricted Substances List	As part of Coats Product Safety programme, we require that all Coats' suppliers of raw materials, dyes, chemicals and packaging materials meet the highest standards appropriate for their end-use. A comprehensive list of restricted chemicals is revised and reissued to all of our material suppliers every year.
Conflict Minerals Policy	Coats is committed to the responsible sourcing of all raw materials and purchased goods and we continually review our approach to ethical and sustainable supply chain management. This policy refers specifically to our approach to avoiding 'Conflict Minerals' entering our supply chain and supplements our wider supply chain management standards.
Environment	
Environmental Policy	We take our responsibility to the environment very seriously and this policy lays out our approach. Coats senior management has defined objectives and targets to ensure that we deliver on this policy and additional details on progress can be found in our **Sustainability Report.**
Climate Change Policy	We are committed to doing what we can to limit the impact of climate change and will always follow the scientific consensus on future impacts in assessing how to address this challenge.

Stakeholder engagement

Cultivating and maintaining constructive relationships with our stakeholders is part of our culture. Effective communication in these relationships is critical to the fulfilment of our purpose and essential to the delivery of our long-term strategic ambitions.

On the following pages we summarise who our key stakeholders are, our approach in 2024 and the insights we gained. The Board's engagement with stakeholders is both direct and via management reporting to the Board on stakeholder engagement, the importance of which is embedded throughout our business. In our section 172 statement, set out on pages 47 to 49, you can read about how the Board and management considered certain insights gained from our stakeholders to make informed decisions that consider and address any differing needs and priorities, while ensuring the appropriate focus on strategic and cultural outcomes. Read more about why we consider these stakeholder groups to be important to the delivery of our strategy in our business model section on page 14.

OUR STAKEHOLDERS

EMPLOYEES
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CUSTOMERS
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SHAREHOLDERS
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ENVIRONMENT
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COMMUNITIES
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SUPPLIERS
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CUSTOMERS

Our global footprint provides unrivalled access to markets and customers. We want to work together proactively with our customers to deliver additional value.

Our approach in 2024

During the annual away week visit to China, the Board met with and toured the facilities of a key customer. They also received a detailed overview of the business environment and market in China (you can read more about the away week on page 73). At the annual strategy day, the Board and management discussed deep dives into the Indian and Indonesian markets, and considered insights into customer behaviours, opportunities and priorities. The Board also received a detailed review of key customers on a divisional basis as part of the recurring annual deep dives into the Apparel, Footwear and Performance Materials divisions as presented by their respective leadership teams.

In addition, the Executive Directors and management provided regular business updates at Board meetings throughout the year. This enabled us to quickly identify changing consumer trends and, where appropriate, respond to these. David Paja also shared his insights following his interactions during his induction. The Board were briefed on the developments in ShopCoats and Tech Connect and how these had improved the customer experience.

What we believe matters to customers

Our engagements reveal that our customers continue to be attracted and retained by our ability to offer and develop innovative and sustainable solutions using our technology.

They appreciate our ability to manage delivery times during periods of supply disruption and a stable supply chain remains a priority. Our customers continue to seek competitive pricing combined with exceptional service and support levels. Enabling quicker access to information and facilitating greater efficiency in ordering increases effectiveness for our customers and should continue to be a focus.

Ensuring that our footprint and asset utilisation remains optimised, as discussed at the annual strategy day, helps us to position ourselves to meet the increasing demands of our customers.

SHAREHOLDERS

Coats maintains and values regular dialogue with shareholders throughout the year, so that they can more accurately assess our value and the opportunities and risks of investing in our business.

Our approach in 2024

There is regular engagement between our investors and the Group CEO and the Group Chief Financial Officer through the Investor Relations schedule of events, which includes conferences and roadshows. David Paja also met with a number of key investors as part of his induction programme. In September 2024, a group of our shareholders, analysts, bankers, advisors and brokers visited our Footwear operations in Germany and their feedback was shared with the Board. The Senior Independent Director consulted with key investors regarding the extension of the

Stakeholder engagement cont.

Chair's tenure. Further details about this process are set out in the Nomination Committee report on page 85. The Board all attended the AGM held in May and were available to answer questions from investors.

An Investor Relations update is provided at each Board meeting, which provides details of investor trends and feedback as well as details of planned engagements. In 2024 there were various Board sessions provided by the Company's brokers and advisors detailing how the Company is perceived and valued and what investors were looking for the Company to do next. Additionally, the Board carefully considered the progressive dividend policy when deliberating in relation to the interim and final dividend levels, noting the importance of returns to shareholders.

What we believe matters to shareholders

Investors reacted positively to our Group CEO succession process and to the final de-risking of our UK pension scheme. Our strong corporate governance, as highlighted in our performance in ESG surveys, continues to be important as is the focus on shareholder returns through our progressive dividend policy.

Regular conversations with both existing and prospective investors allow the Company to share timely information on key strategic and operational matters and gain insights into how these align with investor expectations. Investors appreciated being consulted on our Chair succession plan as well as having the opportunity to meet David Paja when he became Group CEO. Offering site visits allows investors to directly experience our operations and better understand our value proposition and business approach. Executive remuneration remains an area of focus for many investors. Investors continue to value our sustainability and DEI-related ambitions, recognising the importance of our culture in achieving our goals. The continued focus on overall cost efficiency and on footprint optimisation have been positively received.

EMPLOYEES

Our 16,000+ permanent employees are at the heart of making our business a success and we recognise that listening to and engaging with our people is essential to our continued success.

Our approach in 2024

David Paja visited 25 of our sites across 13 countries as part of his induction, interacting directly with employees at every level of the business. Fran Philip conducted a successful programme of engagement in her role as Designated Non-Executive Director for Workforce Engagement including meeting directly with groups of employees and joining global diversity calls. You can read more about Fran's work during 2024 on page 74. During the visit to China in October 2024, the Board toured several of our local facilities and attended various events with local employees including the 20th anniversary celebration of our Shenzhen site as well as other presentations and social events (you can read more on page 73. Board members also had the opportunity to participate in the Global Leadership Conference and interacted with the other attendees during all of the working sessions and social events as well as at the factory tour. A number of employees have also presented to the Board at Board meetings in 2024 covering topics such as the divisional deep dives and the various areas covered at our annual strategy day, including sustainability and talent.

Ensuring that our desired culture has been embedded into our divisions has continued to be a priority for the Board and it has accordingly continued to monitor metrics relating to culture and diversity at every Board meeting. At both the Board and the Nomination Committee, there were discussions regarding succession and development opportunities and employee insights were used to inform talent planning. The Remuneration Committee conducted its annual review of remuneration levels of all employees. The Chief HR Officer provided various updates throughout the year across various topics, including the insights from the annual Your Voice Matters survey, as well as providing updates on the Coats for All and Coats for Her initiatives. Regular reviews of the results of Great Place To Work® surveys were also presented. People updates continued to be discussed as part of the divisional deep dives.

Additionally, the Board was updated on the action taken to provide support and keep our people safe when natural disasters impacted our sites.

What we believe matters to employees

Our culture, characterised by our employees' collaborative and 'can do' attitude, is key to attracting new, and retaining existing, talent. Employees continue to value the prioritisation of health and safety and well-being, the latter as part of Coats Cares. The growing impact of DEI-initiatives as part of the Coats for All and Coats for Her programmes continue to be appreciated with employees showing enthusiasm for even greater development. Our employees remain passionate about our sustainability agenda and are committed to continuing to support our ambitions in this area.

Employees valued the communication and programme of engagement that accompanied the Group CEO succession process, appreciating the opportunity to provide direct feedback to the outgoing and incoming Group CEO.

The increased focus on simplification and standardisation, which has followed the move to the divisional structures, has been welcomed but there is a desire for further progress in this area.

ENVIRONMENT

Coats is working proactively with customers and suppliers to help them improve the sustainability of their products, and to minimise the environmental impact of our industry.

Our approach in 2024

Environmental metrics are presented at every Board meeting and progress is tracked across key performance measures. Communication on environmental issues is tracked and escalated as appropriate within the Group, with relevant updates being provided to the Board on key environmental issues. The annual divisional deep dives presented at the Board consider environmental and sustainability performance and innovation.

There was a detailed discussion of our sustainability strategy at the annual strategy day. This included the Board considering the perspectives of all our stakeholders, our progress on our previously communicated 2050, 2030 and 2026 targets and the considerations for both our energy and materials transition journeys

Stakeholder engagement cont.

(read more in our **Sustainability Report** online (**www.coats.com/sustainability**)). Additionally, the impact of current operations on our environmental footprint and how these could be further reduced formed part of the discussion relating to asset utilisation.

The Sustainability Committee composition was reviewed and expanded to include the divisional CEOs and Group Sustainability Director. It met twice and considered inputs from a range of stakeholders as well as monitoring current performance against targets and reviewed the detailed plans to achieve these. Updates were also provided on the Group's preparations to meet the upcoming Corporate Sustainability Reporting Directive (CSRD) requirements and, in particular, on the progress relating to the CSRD double materiality assessment, which will determine the material topics on which Coats will have to make future disclosures. The Audit and Risk Committee (ARC) continued its review of sustainability reporting which resulted in the publication of assurance on this data in this Annual Report. You can read more about this process in the ARC report on page 77.

What we believe matters to the environment

Helping to make a better more sustainable world is part of our purpose. Our engagements with all of our stakeholders confirm that sustainability, and the need to further reduce our environmental impact, continues to be a key priority. Our results in ESG surveys show our considerable progress but also confirm that there is more to do. The Board will continue to ensure strategic planning is aligned to meeting our environmental goals.

A key focus of the Board and its Committees has been the upcoming changes to legislation, regulation and best corporate governance practices in 2024. The global regulatory and reporting environment continues to develop globally and at pace. Our commitment to sustainability and corporate responsibility has prepared us well for these forthcoming changes but we will have to continue to be proactive and ambitious to meet increased stakeholder expectations.

COMMUNITIES

We operate in over 50 countries across six continents. By empowering people and championing inclusion and diversity, we can help build thriving communities and strengthen our business.

Our approach in 2024

The Board and the Nomination Committee discussed the various initiatives and development opportunities taking place as a result of Coats for All, Coats for Her and Coats Cares programmes at various times throughout 2024. The annual divisional deep dives included a variety of sustainability and people-related topics, including DEI matters, and there were regular reports on macroeconomic and sociopolitical events provided to the Board. The Board also reviewed our Health and Safety dashboard at every Board meeting, which includes metrics relating to commuting incidents and also sets out our commuter safety initiatives including training requirements.

As part of the visit to China in October 2024, the Board were able to directly interact with people living in the areas in which we operate as part of their visits as well as hearing about the effect that our operations have locally in terms of opportunity and investment.

In 2024, the Board continued to assess the impact of the changes to the location of our operations when considering consolidation and closure proposals. More details of our activities can be found in our **Sustainability Report** online (**www.coats.com/sustainability**).

What we believe matters to communities

We understand the impact of our business on local communities and economies, both for our workforce and those in the areas in which we operate. People continue to want access to skills development and employment, in an organisation that promotes DEI and is committed to doing business in the right way.

Communities continue to demand that environmental impact continues to be meaningfully reduced and that resources are used responsibly.

SUPPLIERS

Our suppliers do not just supply goods and services to us. They are true partners throughout our processes and aligned to our requirements on compliance, quality, sustainability and innovation ethos.

Our approach in 2024

The Board considered insights from suppliers as part of the annual divisional deep dives, which included consideration of supply chain issues and trends. Discussions relating to India and Indonesia were held as part of the annual strategy day and there were insights into supply trends and potential future risks and opportunities. These themes were also considered as part of the various discussions held by the Board during the visit to China.

The Board considered the risk of 'supplier non-performance, unavailability and/or price increases of raw materials, labour and freight and/or logistical challenges' and temporarily reclassified the risk trend as increasing in July 2024 as a result of the ongoing Red Sea-related disruptions. Following a period during which the situation stabilised, and also as a result of freight suppliers increasing their freight capacity in response to the Red Sea-related challenges, the Board then decreased the risk trend to stable in December 2024. The Board reviewed all key supply contracts in line with the Group's Delegated Authorities Policy.

Supplier-related items remained a focus for the ARC with the annual review of supplier payment terms, and regular reporting on compliance and training relating to the Group Supplier Code. The ARC shared these insights with the full Board. You can read more about the ARC's work in this area on page 78.

What we believe matters to suppliers

Reliable and ethical supply chains are essential for serving our customers and maximising overall shareholder value. We believe that suppliers value our mutually beneficial relationships, and continue to prioritise fair contracts and payment terms.

Sustainability credentials and our continued focus on innovation both attract new, and work to retain existing, suppliers. Our Group Supplier Code provides clarity on our expectations of suppliers, and what will happen if these expectations are not met. As global uncertainty continues, supply chain management and strong relationships continue to be critical.

Section 172 statement

Section 172 of the Companies Act 2006 requires the Directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision making (S172 Factors). When making decisions, the Board recognises the importance of considering the needs and priorities of our stakeholders to help determine what is most likely to drive sustainable value creation over the longer term.

The ways that the Board has engaged with our six groups of stakeholders are outlined on pages 44 to 46, including what was learned as a result of this engagement. The Board understands the value of taking into account the views of stakeholders and the impact of the Company's activities on local communities, the environment and the Group's reputation.

Our purpose, strategy and culture

- Coats' purpose – to connect talent, textiles and technology to make a better and more sustainable world – shows our stakeholders are central to our decision making.
- The Board is responsible for setting and overseeing the Group's culture, and for the Company's purpose, strategy and values. The Board's knowledge and understanding of the Company's stakeholders, and their respective priorities and interests, is central to discharging these responsibilities, and supports key aspects of its decision-making.
- The Board believes that our culture, values and high standards of business conduct all contribute to long-term value creation for our stakeholders. The importance of maintaining our reputation for 'doing the right thing' is well understood.
- The Board, together with the Audit and Risk Committee, monitors the critical areas of governance and compliance, including considering these areas in relation to our broader supply chain, and discusses interventions with management where required.

Balancing the needs and priorities of our stakeholders

- The various interests of stakeholders are considered in the business decisions we make at all levels of the organisation.
- At times, the Board has to make decisions based on balancing the differing interests of, or impacts on, our stakeholders, while ensuring they are in the best interests of the Group. The Board is able to probe, challenge and debate the various stakeholder-related factors, to ensure any differing views and outcomes are taken into account.
- The diversity of skills, knowledge and experience amongst our Board assists debate and results in the provision of strategic guidance and informed decision-making that considers the various needs of our stakeholders.
- Our leadership is appropriately contactable at and in between meetings to allow the timely provision of sensitive information and feedback when required.

The right inputs – Board information and monitoring

- Board papers identify the key stakeholder groups for matters under discussion.
- Assurance is sought as and when required.
- There are consistent Group-wide governance and reporting structures.
- Appropriately timed updates on actions and implementation are tracked and provided to the Board to ensure timely delivery or adjustment in the event that priorities or needs change.

Specific examples of Board decision making, including how stakeholders were considered and further examples of how their input contributed to the outcomes, are shown on pages 44 to 46. Other information considered by the Board during 2024 relating to the S172 Factors is set out below:

S172 Factor	Relevant disclosures
(a) The likely consequences of any decision in the long-term.	– Chair's statement (pages 5-6) – Group CEO's statement (pages 7-8) – Strategy (page 13) – Business model (page 14) – Sustainability (pages 15-16 and TCFD disclosures (pages 182-198) – Principal risks and uncertainties (pages 50-56) – Long-term viability statement (page 57)
(b) The interests of the Company's employees.	– People and culture (pages 21-26) – Business model (page 14) – Division updates (pages 27-38) – Key performance indicators (GPTW® certification, page 40) – Stakeholder engagement (page 45) – The Board and culture (page 74)
(c) The need to foster the Company's business relationships with suppliers, customers and others.	– Business model (pages 14) – Division updates (pages 27-38) – Stakeholder engagement (pages 44-46) – Principal risks and uncertainties (pages 50-56) – Operating review (pages 58-60)
(d) The impact of the Company's operations on the community and the environment.	– Stakeholder engagement (pages 45-46) – Sustainability (pages 15-16) – Principal risks and uncertainties (pages 50-56) – Directors' report (SECR disclosures, page 108-109) – TCFD disclosures (pages 182-198)
(e) The desirability of the Company maintaining a reputation for high standards of business conduct.	– People and culture (pages 23-26) – Non-financial information statement (pages 41-43) – Principal risks and uncertainties (pages 50-56) – Audit and Risk Committee Report (pages 77-82) – Whistleblowing (page 107)
(f) The need to act fairly as between members of the Company.	– Stakeholder engagement (pages 44-45)

Section 172 statement cont.

BOARD DECISION-MAKING DURING THE YEAR

Examples of Board decision-making during the year and S172 Factors considered	Stakeholder considerations	
Pensions Continuing the progress achieved in relation to the UK Pension Scheme (Scheme) in recent years, in September 2024 the Board announced its decision to provide up to c.£100 million ($128 million) of additional funding from the Group to facilitate the purchase of a c.£1.3 billion ($1.7 billion) bulk annuity policy by the UK Pension Trustee (buy-in). As a result of the buy-in, all the financial and demographic risks relating to the Scheme's liabilities are now fully hedged, with this new bulk annuity policy, along with the previous policy purchased, paying the Scheme a regular stream of income that matches its pension payments to all members.	EMPLOYEES SHAREHOLDERS	The Board considered the significant benefits of de-risking the Scheme for both current and future pensioners and removing volatility and uncertainty for our investors. The Board also noted that permanent cessation of deficit repair contributions would result in a c.£30 million per annum benefit. The free cash flow generation had been well received by investors, both in terms of the ability of the Company to reinvest those cash flows to compound growth or provide additional returns to shareholders. The Board considered investor feedback in relation to previous pension actions.
Operational footprint changes in 2024 (changes in manufacturing locations) The Board continued to consider the footprint of the organisation to ensure that this remained optimised to meet the ongoing needs of the Group and its stakeholders. In particular, during 2024, the Board approved the relocation of production of certain of the Group's products to move these closer to customers and to maximise utilisation of existing facilities. This included optimising the Performance Materials footprint in North America to align to latest industry demand trends, the consolidation of Footwear sites in Europe, and the expansion of our Indonesian operations to align with Footwear customer growth.	COMMUNITIES CUSTOMERS EMPLOYEES ENVIRONMENT SHAREHOLDERS SUPPLIERS	When considering the opportunities and challenges arising from further optimising the footprint of the business, Directors recognised Coats' strategic aim to bring operations closer to customers and the potential impacts on new and existing suppliers. The Board also considers the insights provided from meetings and engagements with customers and suppliers, as attended by Directors or presented in the divisional deep dives, when making decisions. The Board is aware that changing the location of where we do business can have significant impacts on the employees and the communities in which we operate, especially when decisions result in us exiting an area and the impact on that local economy. Accordingly, the Board considered the wide-ranging impacts resulting from the closures and relocations, including discussions relating to the closure of the Performance Materials site in Toluca, as well as the potential effects on the local economy and, in particular, any reduction in local opportunity and relocation possibilities. Moving operations closer to customers can result in environmental benefits as the supply chain is shortened and this was considered as a contributor to our ambitious sustainability targets. The Board continues to focus on having the right range of product solutions manufactured in the right way in the right location. These were considered by the Board, for example, in relation to the location of the new Footwear structural component factory in Indonesia, which was strategically located to be close to customers. The Board remained mindful of the positive reception from investors to the range of self-help initiatives undertaken to help the Group continue to manage it cost base during the continued period of economic uncertainty.

Section 172 statement cont.

Examples of Board decision-making during the year and S172 Factors considered	Stakeholder considerations	
Financial considerations including dividend payments The Board approved the 2024 Group's budget, which sets the allocation of capital to deliver our strategy. The Board considered the current global economic and geopolitical circumstances and the Group's short to medium-term priorities. During the year, there were also detailed considerations of the level of both the interim and final dividend based on a full assessment of the Group's position considering, amongst other factors, pensions de-risking and the Group's market share gains. The Board also considered the refinancing of the Revolving Credit Facility agreement and the issuance of an additional $250million USPP.	SHAREHOLDERS	The Board considered the wider interests of its stakeholders, including customers, employees, and suppliers when setting the annual budget to ensure these remained appropriately balanced with the need to ensure continued delivery of growth and the protection of shareholders' interests. The Board understands the importance of regular returns to shareholders and the need for equitable treatment of our shareholders. Feedback received regarding the Group's progressive dividend policy supports this.
Board and leadership changes A key area of Board focus during the year related to the various succession-related activities that were planned and implemented during the period under review. The Nomination Committee and Board acted to identify and appoint David Paja as an Executive Director and Group CEO designate to succeed Rajiv Sharma, who stepped down from the Board as part of a mutually agreed succession process. A comprehensive selection process, supported by external advisors, was undertaken and resulted in the announcement of the outcome on 30 May 2024, and David succeeded Rajiv as Group CEO on 1 October 2024. On 7 January 2025, the Company announced the appointment of Hannah Nichols as an Executive Director and Group Chief Financial Officer designate with effect from 24 April 2025. Hannah will succeed Jackie Callaway as Group Chief Financial Officer at the conclusion of the 2025 AGM, at which time Jackie will step down from the Board as part of a mutually agreed transition process. The Board provided input into the process that led to the appointment of Pasquale Abruzzese as CEO, Performance Materials Division and Group Chief Operations Officer with effect from 13 January 2025 following Soundar Rajan's retirement from the business on 31 December 2024. During the year, the Board also approved the appointment of Adrian Elliott as Group Chief Commercial Officer with effect from 1 July 2024. This is in addition to Adrian's role as CEO, Apparel Division.	EMPLOYEES SHAREHOLDERS	Identifying the correct individuals to act as our leaders, and to complement the overall composition of our leadership, is essential to promote the success of the Company and maintain effective relationships with our stakeholders, as well as maintaining our reputation for doing the right thing. In both Executive Director appointment processes and in relation to the changes to the composition of the GET, consideration was given to the gender and ethnic diversity of our leadership team. The Board considered David Paja's proven track record in scaling new technologies and delivering profitable growth, as well as his extensive leadership experience across a number of complex and fast-changing industries, managing operations in the UK and globally, leadership skills and relevant industry experience. The Board considered how these would assist the delivery of the Company's strategic ambitions and the fit with stakeholder expectations. The Board considered Hannah Nichols's extensive financial expertise, considerable international experience and track record of driving transformational change, when considering stakeholder expectations for the Group's next Chief Financial Officer. After careful consideration, the Board concluded that the appointment of David as Group CEO and the appointment of Hannah Nichols as Group Chief Financial Officer designate, and their appointments as Executive Directors, would be in the best interests of the Company, its shareholders and wider stakeholders. When considering the composition of the GET, the Board considers stakeholder expectations and the updates provided in the divisional deep dives to inform their view of the future skillset required by the Group.

Principal risks and uncertainties

Effective and pragmatic risk management drives better decisions, protects our business and supports our growth.

Risk framework and governance

We strive to ensure that our risk management procedures remain holistic and integrated to support the making of risk-informed decisions that benefit our stakeholders as a whole. While our processes are well established and embedded, we embrace a culture of continuous improvement and regularly review our risk management-related ways of working to ensure these remain robust and fit for purpose in the dynamic and ever-changing business environment in which we operate.

We employ a 'three lines of defence' model to provide a simple and effective way to enhance our risk and internal controls management processes, and ensure that responsibilities are well defined and supported by clear reporting processes and delegated authorities. Consistent with this, the Group operates a top-down, bottom-up approach to risk management. A summary of risk management responsibilities across the Group is set out in the diagram below.

Top-down
- Define risk tolerance
- Monitor exposure
- Oversight of risk management

Bottom-up
- Identify
- Monitor
- Report

The Board*
- Identifies which risks are most important for the Group, effectiveness of risk management and reviews the Group's risk profile
- Sets risk tolerance in the aggregate and, in particular, for each of the principal risks
- Monitors risk experience

Group Executive Team (GET)
- Responsible for operational delivery of the Group's strategy, including day-to-day management of operations and responsibility for monitoring detailed performance of all aspects of the Group's business. Necessarily, this includes many elements of practical risk management

Audit and Risk Committee (ARC)
- Supports Board in monitoring the effectiveness of the systems of risk management and internal control
- Reviews reports from Group Executive Team (GET), Group Risk Management Committee (GRMC), Group Internal Audit (GIA) and the external auditor relating to effectiveness

Divisions/Enabling Functions/Senior Management/ Risk Champions
- Responsible for identifying, managing and mitigating appropriate sets of risks including emerging risks
- Regularly review a broad range of individual current strategic and operational risks
- Monitors key risk indicators
- Reports and provide feedback to GRMC, GET, Audit and Risk Committee and the Board

Group Risk Management Committee (GRMC)
- Responsible for formulating risk management strategies and policies and monitoring risk management throughout the Group

Key → Report for evaluation → Direct and monitor

* The Board has appropriate regard for all the factors set out in S172 of the Companies Act 2006 in its consideration of risk and other matters. You can read about this on pages 47 to 49 in the S172 Statement.

The Board retains overall responsibility for determining the nature and scope of the Company's principal, key and emerging risks, the extent of the Group's risk tolerance in the pursuit of its strategic ambitions, and for monitoring and reviewing the effectiveness of the Group's systems of risk management and internal controls, including the activities undertaken by the three lines of defence.

The Audit and Risk Committee (ARC) monitors, oversees and reviews the effectiveness of the risk management and internal control systems and processes implemented across the Group and has confirmed to the Board that these all operated effectively during 2024. A description of the ARC's activities relating to risk management and internal controls during the year can be found on page 80.

The Group Executive Team (GET) is responsible for day-to-day monitoring, management and, where appropriate, mitigation of key risks that impact the business and receives regular updates on these from the divisions, risk champions in the business and Group Internal Audit (GIA). The Group Risk Management Committee (GRMC) comprises of all members of the GET and meets regularly, facilitating timely and responsive risk assessment and agile action taking.

The divisional management teams are responsible for monitoring division-level risk and implementing and maintaining an effective risk and control environment as part of day-to-day operations, in line with the Group risk management framework and internal control systems determined by the Board.

Our risk framework is based around five categories of principal risks (strategic, external, climate, operational, and legacy), as well as key and emerging risks. We use internal and external data to monitor our risks and make appropriate interventions. GIA embeds the relevant Group risks in their audit process, for instance, compliance with anti-bribery and corruption requirements, the risk of internal fraud, sustainability-related risks, health and safety-related processes, and IT/cyber security controls. GIA then reports on these to management and the ARC. GIA also reports to the ARC on the results of the semi-annual risk questionnaire, which covers topics appropriately aligned to principal and key risks, to allow the ARC to consider any exceptions or risks arising from operations. You can read more about the information provided by GIA to the ARC on pages 80-81.

Risk registers, tracking our identified risks, are maintained at unit, divisional and Group level. GIA reviews the Group Risk Register and unit and divisional risk registers regularly throughout the year. These reviews include an assessment of the risk management practices in divisions such as the frequency and adequacy of local risk management committee discussions, the risks identified and discussed, and the completion of the actions contained in the risk registers.

Climate-related risks, impacts and mitigating actions are assessed as part of our Taskforce for Climate-related Financial Disclosures (TCFD) which are outlined from page 182 of this report.

First Line
- Divisions
- Enabling functions
- Senior management

Second Line
- Risk management
- Internal controls
- Compliance functions

Third Line
- Group Internal Audit

Principal risks and uncertainties cont.

Risk tolerance

We focus on understanding the risks, and their potential impacts, to appropriately mitigate and/or leverage risks and related opportunities and ensure any residual risks are acceptably within our risk parameters and do not impact business operations adversely.

The Board, with input from a range of internal stakeholders, undertook a comprehensive assessment of the emerging, key and principal risks facing the Group, along with the risk trends and levels of risk tolerance for each of those risks using the four categories set out below. In undertaking this exercise, the Board has considered the expectations of its shareholders and other stakeholders to practically inform the appropriate level of tolerance. The results of this review will support the Board's decision-making during 2025.

Very risk averse	Where we are very cautious and seek to minimise the financial and reputational risk as far as possible. Mitigation costs are accepted albeit that they might exceed the potential loss.
Risk averse	Where we are cautious and seek to reduce the financial and reputational risk. Mitigation actions are proportional and based on cost effectiveness.
Somewhat risk tolerant	Where we are willing to take some financial and reputational risk to achieve our objectives. Mitigation actions are again proportional and based on cost effectiveness.
High degree of risk tolerance	Where we are willing to take significant financial risk to achieve our objectives. Mitigation involves an active management of risk-return trade-offs.

Emerging risks

We consider emerging risks as part of our risk management horizon scanning process and as part of the everyday management of the business. In addition to the day-to-day management of such risks, these reviews consider emerging risk factors identified at unit and divisional level during the bottom-up assessment process and are also informed by consulting internal and external experts. The emerging risks identified via these processes are then considered by the GRMC/GET/Board. During 2024, potential emerging risks were monitored and assessed during these review processes, particularly in relation to technology-related risks and opportunities.
The Board will continue to monitor the evolution of emerging risks and reassess the landscape at least on an annual basis, having regard to the processes described above.

Modern slavery

During the year, the Board approved the Group's Modern Slavery Statement. We remain committed to addressing the potential risks of modern slavery and human rights abuses, to acting in an ethical manner with integrity and transparency in all business dealings, and to investing in the creation of effective systems and controls across the Group to safeguard against adverse human rights impacts.

Examples of key risk management actions in 2024

- Succession planning at Board and GET level undertaken by the Board and its Committees: Review of succession plans for senior leaders required careful consideration of talent and capability-related risks.
- Review of GIA: ARC oversight of the externally facilitated review of GIA including consideration of the scope and focus of GIA activities, review of the short and medium-term audit plans and agreement of a hybrid resourcing model for the function culminating in the appointment of BDO as the co-source partner.
- Internal control environment: Following the publication of the UK Corporate Governance Code 2024, the ARC oversaw management's enhanced focus on our material risks and the further formalisation and review of our internal control environment, including both financial and non-financial controls. This included triangulation with our other risk management activities including our Group Risk Register. This will continue to be a focus in 2025 (see page 80 for further information).
- Creation of new role: A Group Head of Ethics and Risk role (reporting to the Chief Legal and Risk Officer) has been appointed to reflect the Group's ongoing commitment to the highest standards of ethics and integrity and the enhanced management of Group-wide risks and related opportunities.
- Divisional risk overviews presented at Board and ARC meetings: Scheduled presentations were provided by divisional leadership teams and included a holistic view of risks, covering principal, key and emerging risks, and gave input on the steps planned to mitigate these risks and leverage opportunities where appropriate.
- Cyber security deep dives and simulation exercise at Board: Cyber security deep dives and a simulation exercise were undertaken to ensure that the role of the Board, their decision-making requirements and stakeholder considerations were front of mind. The Board also considered the cyber security maturity level of the organisation.
- AI: The Board receives regular updates on evolution of AI as part of its training programme and in line with its ongoing cyber security focus. Group has AI guidelines for use in relation to specific AI-related tools (e.g. generative pre-trained transformers (GPTs)), and these are kept under review and revised appropriately.
The Board will continue to monitor the usage of AI internally and externally and approve continued evolution of internal governance structures in relation to this.
- Strategic review of industry trends, technology evolutions, deep dives into key markets and review of M&A strategy and Talent undertaken at annual strategy day: Presentations by external experts, the GET and senior management provided the Board with a fresh lens to consider recent evolutions in strategically important areas.
- ESG assurance: The ARC and Sustainability Committee provided oversight of the preparations and approach to the external limited assurance provided on ESG-related data included in this Annual Report.
- Review of Health and Safety, sustainability, people, performance, M&A, supply chain, legal and environmental matters provided at Board meetings: Regular updates provided to the Board and its Committees by the GET and senior management.
- Review of Group's ongoing insurance programme by the Board: Regular review to ensure that this continues to provide an appropriate balance between retained risk and risk transfer.

Throughout all discussions, risks were considered both in isolation and also the correlation between risks and the likelihood of one risk occurring at the same time as another or even triggering it, and the potential combined impact of that and any further mitigating actions that could be taken.

Principal risks and uncertainties cont.

Our 11 principal risks, along with a summary of any changes to risk descriptions and/or risk trends, the measures we have put in place to manage and mitigate them or leverage these risks and any related opportunities, are set out in the table below.

As stated above, the Board will continue to keep the management and mitigation of these principal risks, as well as the appropriateness of this list and the constantly changing broader risk environment, under ongoing review.

1. STRATEGIC

Principal risk	Action/mitigation
M&A programme ambition risk in light of Group's increasing ambition in scale of its acquisition programme and its ability to source, satisfactorily acquire and integrate suitable targets **Risk trend** ⇔ **Link to strategy** – Accelerate profitable sales growth – Transform the business – Create value	– Appropriately skilled and experienced in-house M&A resources co-ordinate and oversee strategic M&A programme. – Maintenance of robust and prioritised acquisition pipeline developed, utilising internal networks and external consultants, with clear acquisition criteria mapped to Coats' Group and divisional-level strategic goals. – Relationships developed with potential acquisition targets where practicable. – Structured and appropriate due diligence undertaken on potential new targets where permitted and practicable. – Use of professional advisory firms to conduct thorough due diligence and prepare robust integration plans spanning across all Group functions. – Clear accountability and authority limits for initiation and approval of M&A activity are defined in Group Delegated Authorities Policy and Group M&A Process. – In-house M&A expertise utilised to operate proven, structured integration process. – Post-completion, detailed and established integration processes are used to ensure adequate resources are in place, appropriate progress is being achieved in line with agreed schedule and that anticipated synergies are being realised. – Regular updates provided to Board on all M&A activities including identification of opportunities, transactional progress and integration.
Risk of ever-increasing **customer product and sustainability expectations** and Group's continuing ability to **meet and exceed those expectations** as part of its strategic growth and sustainability ambitions **Risk trend** ⇔ **Link to strategy** – Accelerate profitable sales growth – Create value	– Regular engagement with customers undertaken at all levels within Group via well-established lines of communication across various platforms. – Continued monitoring of trends that have potential to change our industry undertaken at both Group and divisional level, which are tracked and escalated where required via well-established reporting processes. – Regular review and maintenance of customer-centric operational footprint to ensure enhanced productivity and responsiveness resulting in continuous improvement and speed of delivery. In 2024, a new Footwear structural component factory opened in Indonesia, strategically located to customers, with a focus on continued innovative, efficient and sustainable manufacturing practices. Our recently opened customer experience centre in Vietnam aims to inspire collaboration and innovation. – Monitoring and ensuring an agile supply chain. – Establishment of cross-Divisional Commercial Leadership Group to drive enhanced customer value creation and market focus. – Laser focus on customer service and quality to ensure globally consistent, superior and safe products resulting in reliability to facilitate superior partnering. – Notable development of sustainability-led innovations to drive progress towards 2030 sustainability-related goals with launch of products such as Rhenoprint RP 5.0 technology, Gotex Xtru tapes, Imperfirm Fuze™ and FlamePro Splash in 2024. – Strategic investment in capabilities and talent in our four global innovation hubs, which focus on effectively anticipating and addressing customer needs across our divisions. – Introduction of new Group Senior Vice President of Innovation who will maintain a differentiated innovation roadmap across all divisions and build on our world-class technical capabilities in collaboration with our Divisional CEOs. – Continued focus on development and enhancement of customer-facing software and proprietary applications to better support their needs. Coats Digital continues to enable customers to optimise, connect and accelerate business critical processes seamlessly. ShopCoats helps customers manage their orders digitally assisted by new technology such as our new phone app. We have also developed Coats WeChat Store and expanded TechConnect to new markets. Coats Seamworks continues to be industry standard for thread calculations in apparel industry.

Principal risks and uncertainties cont.

Principal risk | Action/mitigation

1. STRATEGIC CONTINUED

Risk of failure to develop diverse and inclusive set of **talent and capability** to ensure robust succession planning for critical roles in organisation given ever-evolving business and external environment*

*Risk description has been refined in 2024 to (i) remove references to attracting and retaining talent and (ii) include reference to developing successors for critical roles

Risk trend

Link to strategy

– Accelerate profitable sales growth
– Transform the business
– Create value

– Review of succession plans for senior and critical roles regularly discussed at both GET and Board meetings and succession KPIs determined.
– Internal talent review conducted by GET to identify high-potential individuals and agree action plans for development. These are discussed at least annually at Nomination Committee and Board. Variable pay incentives in place, benchmarked and overseen by Remuneration Committee and aligned to both Group and individual performance. Individual performance appropriately calibrated to ensure fair and appropriate outcomes.
– 'Grow Ready' programme introduced outlining annual talent cycle with regular talent reviews and discussions and ensuring talent calibration at all levels.
– Formal performance cycle with clear objectives and individual development plans, including formal learning and experience learning opportunities, being agreed between each employee and their leaders.
– Investment in internal and external talent to strengthen capability in key roles, develop future leaders and drive internal career progression.
– Recruitment policy maintained and clearly communicated throughout Group.
– Employee engagement continues to be key part of HR strategy. Partnering with Great Place To Work® organisation, and review of internal employee surveys/feedback, provides 360 degree feedback and allows action plans to be developed to address key themes. Actions are tracked and updates are provided to Board annually. In 2024 Coats was recognised as best workplace in Manufacturing and Production by Fortune and is now certified by Great Place To Work® across 22 countries (covering 95% of our workforce).
– Regular cultural monitoring and people driven initiatives (you can read more about these programmes on page 24) continued in 2024 which focussed on recognition and appreciation; belonging and DEI; wellbeing; philanthropy and appropriate flexibility for individual roles.

Principal risk | Action/mitigation

2. EXTERNAL

Economic and geopolitical risk arising from significant macro-economic and demand uncertainty – across both key Asian and developed markets – including risk to free trade conventions and risk of tariffs and retaliatory actions leading to decrease in consumer confidence and spending – as well as global inflationary pressures and ongoing geopolitical developments*

*Risk description has been refined in 2024 to refer to risk of tariffs and retaliatory actions in light of potential political developments

Risk trend

Link to strategy

– Accelerate profitable sales growth
– Transform the business
– Create value

– Group-level and divisional-level strategic analysis and scenario planning undertaken utilising well established modelling processes. Review of local and global key business factors to reflect impacts of any potential changes in external environment, including potential for changes in global tariff arrangements.
– Appropriate use of external consultants, data sources and systems to supplement and inform internal review findings, including stress testing.
– Regular and timely updates provided to GET and Board to enable informed strategic decisions.
– Continued review of potential strategic levers including cost base efficiency. Group portfolio / footprint remains under review with decisions taken to further enhance our strategic positioning.
– Continued focus on differentiation from competitors, and enhancing the value we deliver to our customers, through (for example) consistency and quality as well as innovation and sustainability.
– Central hedging and currency monitoring take place to manage volatility which arises. Bank financing is readily available to Group, with comfortable liquidity and covenant headroom.
– Strength of our global business, ability to flex production and active global supply chain management allow operational processes to be maintained despite volatility.
– Strong customer relationships built on long-term partnerships are supported by local operations, technical excellence and quality.
– Regular monitoring of legal and regulatory matters at both Group and unit level. Consultation with external advisors where necessary.
– Appropriate insurance cover in place to mitigate the financial impact of certain types of risk.

Principal risks and uncertainties cont.

2. EXTERNAL CONTINUED

Principal risk	Action/mitigation
Risk of **cyber incidents** leading to corruption of applications, critical IT infrastructure, compromised networks, operational technology and/or loss of data **Risk trend** ⇔ **Link to strategy** – Transform the business	– Cyber Security Team responsible for all aspects of security across Coats' global organisation and is appropriately resourced. – Cyber Security Steering Committee in place to oversee strategy and plans, provide investment support and monitor progress throughout the year. GRMC, ARC and Board review progress at regular intervals. – Established Group-wide control areas, supported by maturing controls, including Endpoint Detection and Response; Internet Security Protection; Email Security Protection; Education and Awareness programmes; and Identity and Access Management processes and procedures. These processes and solutions allow proactive real-time monitoring and identification of potential threats to enable these to be removed/mitigated. – Continued education of employees and protection of key systems ensures business continuity and reduces potential impact of future threats. – Two cyber security deep dive sessions presented at Board meetings in 2024 providing detailed insights into cyber security and Board also participated in simulation exercise to review and test protocols. – Group cyber security maturity rating increased against NIST Cyber Security Framework. – New controls introduced during 2024 included strengthening of email defences, protection of key accounts and systems, and secure third-party support. These will continue to mature through 2025. – Focus areas for 2025 include Advanced Network Security, Advanced Internet Protections and Enhanced Vulnerability Management.

Principal risk	Action/mitigation
Risk of **supplier non-performance, unavailability and/or price increases of raw materials, labour and freight and/or logistical challenges** causing major disruption to Coats' supply chain and/or reputational damage as result of non-compliance with Group's ethical standards **Risk trend** ⇔* * Risk trend has been decreased from "increasing" to "stable" in December 2024 given that the situation had not further deteriorated and that freight suppliers had considerably increased freight capacity in response to Red Sea-related challenges **Link to strategy** – Accelerate profitable sales growth – Transform the business – Create value	– Group continues policy of maintaining strategic supply arrangements to achieve optimal balance between cost and having supply chain localised to production teams. – Business contingency planning undertaken at Group and divisional level, supported by regular scenario analysis and continuity planning with any necessary adjustments to stocking policy implemented to ensure robust and reliable supply chain. – During 2024, supply disruptions caused by Red Sea crisis were mitigated by activating alternate supply routes and optimising inventory. – Monitoring of global geopolitical and macro-economic factors to identify potential future sources of disruption and enable timely pro-active engagement with key suppliers to secure required stock and activate alternate freight arrangements. – Challenges of availability and quality of recycled materials were mitigated through engagement with both direct suppliers and their feedstock sources to build new strategic relationships. – All suppliers have to commit to compliance with our Group Supplier Code as condition of doing business with Coats, and suppliers with annual spend over defined threshold and any supplier that falls under high-risk category have to undergo mandatory on-site supplier audits. – In person and virtual workshops held with suppliers to provide further training to enhance understanding of, and ensure compliance with, Group Supplier Code. – Continuation of programme of audits that are targeted at suppliers that have high-risk profile. On our behalf, Bureau Veritas conducted 261 third-party audits in 2024.

Principal risks and uncertainties cont.

Principal risk	Action/mitigation
2. EXTERNAL CONTINUED	
Environmental non-performance risk given changing standards, increasing scrutiny, customer and investor demands and expectations and scale of Group's own self-imposed standards and ambitions, creating commercial, financial and reputational risks as well as opportunities **Risk trend** ⇔ **Link to strategy** – Transform the business	– Continuation of delivery towards 2026 sustainability targets, with 2024 performance across all metrics fully on track. – Fully embedded and industry leading restricted substances list ensuring only permitted chemistry can be supplied to and utilised by any of our manufacturing facilities globally. – Robust chemical management procedures implemented and maintained across all operational sites which are complemented with training drills and simulations to prepare local site teams for real-life scenarios such as chemicals spills and hazard identification. – Regional Environmental and Compliance Management structure tracking and implementing new and updated legislative requirements using subscription-based environmental software system. – Permit management system for all permits and licences held in each country where we operate. – Annual sustainability assessment conducted by all 32 apparel and footwear manufacturing units through Higg Facility Environmental Module (FEM). This assessment tool is specifically designed to assess environmental performance of manufacturing units within textile industry and comprehensively assesses environmental management systems, energy and greenhouse gas emissions, water, waste, wastewater, air emissions and chemicals management. – Transparent reporting and management of root cause and corrective and preventative actions for all environmental incidents through use of global software platform. – All facilities with direct discharge of effluent into natural waterways are equipped with online analytical monitoring equipment of key water quality parameters ensuring that local water discharge permit conditions are met as well as ensuring we meet more stringent effluent standards set by Roadmap to Zero Programme for effluent compliance. – Global Business Continuity Plans include environmental emergency preparedness and response plans. Environmental risks are tracked through our environmental aspects and impacts management system. Environmental management plans are run through series of workstreams to ensure key stakeholders have input into their delivery through define, measure, analyse, improve and control (DMAIC) process. – Further details on our sustainability strategy can be found in our annual Sustainability Report (**www.coats.com/sustainability**).

Principal risk	Action/mitigation
3. CLIMATE	
Climate change risk arising from either (i) impact of failing to sufficiently address need to decarbonise Company's operations and reduce emissions (including potentially as result of energy security challenges and ability to access sufficient renewable energy in relevant locations), leading principally to commercial and reputational risks and financial risk of emissions taxes or other legislative changes, or (ii) physical impact of climate change on company's operations and business model and that of its customers in textile supply chain **Risk trend** ⇔ **Link to strategy** – Accelerate profitable sales growth – Transform the business – Create value	– GET, through Group Sustainability function, has responsibility for overseeing reporting of environmental data by business, and driving sustainability strategy and climate change risk management processes. Board and Sustainability Committee provide strategic oversight and monitor execution of Company's sustainability strategy and initiatives. ARC reviews processes for reporting of environmental data externally. – Maintenance of detailed register of climate-related risks and opportunities, which are assessed based on their level of materiality and impact over short, medium and long-term time horizons under different climate scenarios. – In 2024, approach for assessment of physical climate risks changed from use of in-house developed models to use of Munich Re Location Risk Intelligence Tool which enables assessment of a wide range of physical risks for given geo-tagged locations globally. This assessment was conducted for all of our manufacturing business units globally, irrespective of their production volume output. Risks assessed included flood risk, drought stress, extreme heat and precipitation stress. – In 2024, full approval achieved of 2050 Net-Zero targets from Science Based Targets Initiative, fully incorporating revised 2019 baseline which includes 2022 acquisitions of Texon and Rhenoflex. – Positive progress towards our 2026 Energy target of reducing Scopes 1&2 emissions achieved, having already exceeded 2026 target having delivered a 51% reduction from 2022 baseline, versus set target of 22% reduction. Good progress maintained in 2024 towards 2030 target of 100% electricity from renewable sources, delivering 72% of green certified electricity in 2024 (up from 54% in 2023 and 29% in 2022). – You can read more about our sustainability targets in our 2024 Sustainability Report (**www.coats.com/sustainability**). – Quantification and mitigation of climate risks and opportunities continues to be carried out using TCFD Recommendations as detailed in 'Recommendations of Task Force on Climate-related Financial Disclosures', 2017, with use of additional guidance from 'Implementing Recommendations of Task Force on Climate-related Financial Disclosures', 2021. – Full details of our 2024 TCFD disclosures can be found in TCFD section of this annual report (see pages 182-198).

Principal risks and uncertainties cont.

Principal risk | Action/mitigation

4. OPERATIONAL

Health & Safety risk – risk of (i) safety incident(s) leading to injury or fatality involving our employees or other interested parties such as contractors, visitors, onsite suppliers, etc. along with potential resulting prosecution, financial costs, business disruption and/or reputational damage; and/or (ii) physical and mental health issues impacting wellbeing, engagement, productivity*

*Risk description has been refined to remove reference to "talent retention"

Risk trend

**

**Risk trend has been increased from "stable" to "increasing" due to increasing manufacturing volumes as well as our changing business model, and moves into new technologies and machinery

Link to strategy

– Transform the business

Action/mitigation

– Risk-based management system approach in force in relation to safety and occupational health to drive continuous reduction in both likelihood and severity of injury or occupational illness. Hazard identification processes are in place.
– Health and safety subject matter experts at unit level in place to set health and safety strategy, conduct audit of health and safety controls, and support local efforts.
– Group CEO responsible for health and safety within Group, and provides reports at every Board meeting to support Board in its oversight of positive and proactive health and safety culture, with appropriate focus on prevention of injury.
– 'Coats Safety Circle Programme' developed to enhance communication and sharing of learnings from incidents and best practices to facilitate continuous improvement, with supporting information stored in centralised 'Coats Health and Safety sharepoint hub'.
– Global programme 'Energy for Performance' focuses on four pillars of wellbeing (mental, physical, social and emotional support). This provides framework for countries to determine and implement tailored initiatives to meet local needs e.g. mental health seminars and trainings, exercise programs and support, and other wellbeing focussed activities.
– Global roll-out of hand safety training including bespoke 'Global Hand Safety Training program' (15,703 workers trained in 2024), extensive communications and activities made during 'Journey to Zero week', and an additional 80 hand safety campaigns.
– Key elements of ISO 45001 (international standard for occupational health safety management systems) are in place including:
  – Group hazard identification and incident management system (Intelex).
  – Defined Group health and safety standards that serve as baseline controls to mitigate known hazards.
  – Annual targets and objectives are set and monitored in regular reports that are considered at GET and Board meetings.
  – Regular training programmes and inspection programmes are conducted globally e.g. 'Dye Machine Audit Program' provided training to 129 employees in five workshops supported by audit of dye machines during 2024.
  – 'Top-5 risk' approach utilised to ensure that sites are focussing on reducing their top risks. All actions, both preventive and reactive, are prioritised by risk and closure of top risk actions is priority.
  – Audits of both health and safety systems and the hazard controls are undertaken.
  – Behaviour management system utilised to influence risk behaviour at Coats' sites using artificial intelligence software (Intenseye) and Safety Score increased to 92%.

Principal risk | Action/mitigation

Legal and regulatory compliance risk – risk of breach of law in relation to areas such as anti-corruption, competition, sanctions, chemical compliance and ESG regulatory and reporting requirements, resulting in material fine(s) and/or reputational damage*

* Risk description has been refined in 2024 to include reference to (i) chemical compliance and (ii) ESG regulatory and reporting requirements, given ever-increasing number and scope of such requirements

Risk trend

Link to strategy

– Accelerate profitable sales growth
– Transform the business

Action/mitigation

– Robust control framework maintained, supported by comprehensive corporate governance and compliance policies and procedures at both Group and unit level.
– Regular monitoring of legal and regulatory developments at both Group and unit level, with appropriate consultation with external advisors where necessary. Group policies regularly reviewed and enhanced to incorporate relevant changes and best practice. Group policies are translated into the languages most commonly spoken by employees.
– Comprehensive suite of mandatory compliance training modules covering areas such as Ethics at Work, Anti-bribery, Competition Law, Cyber Security, Data Protection and Anti-Slavery is maintained in multiple languages. These training modules are completed by all relevant employees every two years and by all new starters. In 2024, the modules were relaunched for all employees. Targeted training is provided to specific groups and functions where additional training needs are identified e.g. trade sanctions compliance training for commercial teams.
– Specific areas of compliance are highlighted through the global 'Doing The Right Thing' programme, which is led by members of senior management and supported by local ethics champions. In 2024, this focussed on Anti-Harassment, Anti-Bullying and Anti-Discrimination, Health and Safety and Trade Sanctions Compliance.
– During 2024, key Group policies and procedures, including Anti-Bribery and Anti-Corruption Policy, Competition Law Policy and Ethics Code, were refreshed. Additionally, customised communications and specialised training were provided to teams within each division.
– All potential customers and vendors are required to pass sanctions compliance checks before any transaction can proceed.
– Each unit completes semi-annual compliance review checklist, with any deviations being reported to GET/GRMC and ARC.
– GIA include regulatory and policy compliance as part of their audit remit. During 2024, GIA completed ten market audits.
– Dedicated whistleblowing email address and confidential, multi-language external web-based reporting system available in line with Whistleblowing Policy.

5. LEGACY

Lower Passaic River legacy environmental matter

Risk trend

Link to strategy

– Transform the business

Action/mitigation

– Board continues to monitor developments very closely.
– Board approves the strategy in relation to Lower Passaic River proceedings.

Long-term viability statement

In accordance with provision 31 of the revision of the 2018 UK Corporate Governance Code, the Directors have assessed the longer term viability of the Group over the period to December 2027. The Directors' assessment has been made with reference to the Group's current position and prospects, as detailed in the Strategic Report. This takes into account the Group's business model, strategy, approach to allocating capital and the potential impact of the principal risks and how these are managed.
The Directors have also considered committed finance facilities which, following the refinancing exercises concluded in August and December 2024, have maturities which range from August 2027 through to 2034.

The Group's strategic objectives and associated principal risks are underpinned by an annual budget and Medium Term Plan process, which comprises financial projections for the next three years (2025–2027). The Medium Term Plan represents a common process with standard outputs and requirements at the Group level. The Board reviews and challenges the Medium Term Plan annually. Although this period provides less certainty of outcome, the underlying methodology is considered to provide a robust planning tool against which strategic decisions can be made.

The Directors consider that the three year period considered by the Medium Term Plan reflects an appropriate period over which its business and investment cycles, as well as its prospects, can be considered. The Medium Term Plan and the severe but plausible downside scenarios (as set out below) both consider the implications of risks around sustainability and climate change over the three year assessment period. Longer term implications and prospects, including both risks and opportunities, of climate change have been considered as part of the Task Force on Climate-related Financial Disclosures report.

The Directors have taken into account the Group's current position and the potential impact of the principal risks set out on pages 50 to 56 as well as other risks that could crystallise during the medium-term. The Directors have considered a range of severe but plausible scenarios that explore the Group's resilience to the potential impact of the principal risks as set out on pages 50 to 56 as well as other risks that could crystallise during the medium-term.

After assessing the potential impact of the principal risks, the specific areas considered as part of the severe but plausible scenarios include:

– Sales growth is lower than expected throughout the assessment period, with reduced margins and cash generation. Lower sales growth could result from a prolonged industry de-stocking cycle, lower demand because of macro-economic uncertainties, escalation in geopolitical tensions, resurgence of Covid or similar pandemic with resulting lockdowns and subsequent supply chain challenges, as well as Coats being unable to meet customer expectations (including sustainability targets); and
– Supply chain challenges cause unavailability and/or price increases of raw materials, labour, freight and/or logistical challenges causing major disruption to Coat's supply chain.

The Directors have also taken into account a number of assumptions that they consider reasonable within these assessments including:

– The assumption that funding facilities will continue to be available throughout the period under review: the core US private placement borrowings are due between 2027 and 2034 and the revolving facility matures in 2027, with the ability for two one-year extensions. During the assessment period it has been assumed that the US private placement borrowings maturing in December 2027 are successfully refinanced and the term of the revolving facility, maturing in August 2027, is successfully extended;
– The assumption that following a material risk event, the Group would adjust capital management to preserve cash; and
– The assumption that the Group will be able to mitigate risks effectively through other available actions.

As part of the going concern assessment, the Directors also considered a reverse stress test flexing sales to determine what circumstance would be required to either reduce headroom to zero on committed borrowing facilities or breach borrowing covenants, whichever occurred first. As set out on page 130, the Directors consider the likelihood of the condition in the reverse stress test occurring to be remote.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

Operating review

Continuing operations	FY 2024 $m	FY 2023 $m	FY 2023 CER [1] $m	Inc / (dec) %	CER [1] inc / (dec) %
Revenue					
By division					
Apparel	770	689	678	12%	13%
Footwear	403	368	368	10%	10%
Performance Materials	328	336	330	-3%	-1%
Total	**1,501**	**1,394**	**1,377**	**8%**	**9%**
By region					
Asia	964	823	818	17%	18%
Americas	234	246	248	-5%	-5%
EMEA	302	325	310	-7%	-3%
Total	**1,501**	**1,394**	**1,377**	**8%**	**9%**
Adjusted EBIT [2, 3]					
By division					
Apparel	151	120	118	25%	28%
Footwear	95	84	84	13%	13%
Performance Materials	24	29	28	-16%	-12%
Total adjusted EBIT	**270**	**233**	**229**	**16%**	**18%**
Exceptional and acquisition-related items	-70	-49			
EBIT [3]	**200**	**184**			
Adjusted EBIT margin [2, 3]					
By division					
Apparel	19.6%	17.5%	17.4%	210 bps	220 bps
Footwear	23.5%	22.8%	22.8%	70 bps	70 bps
Performance Materials	7.4%	8.6%	8.4%	(120 bps)	(100 bps)
Total	**18.0%**	**16.7%**	**16.7%**	**120 bps**	**130 bps**

1. Constant Exchange Rate (CER) are 2023 results restated at 2024 exchange rates.
2. On an adjusted basis which excludes exceptional and acquisition-related items.
3. EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.

2024 Operating Results Overview

Group revenue of $1,501 million increased 8% on a reported basis and 9% on a CER basis. We continued to see the recovery from the widespread industry destocking in Apparel and Footwear which was reflected in softer prior year comparators, partly offset by ongoing weakness in Performance Materials.

Group adjusted EBIT of $270 million increased by 18% on a CER basis (2023: $229 million on a CER basis), largely driven by improved revenue performance and continued benefits from strategic projects and acquisition synergies. Inflationary pressures continued to be well managed through pricing and productivity levers, and we have made targeted reinvestments in our cost base as our end markets continue to recover. As a result, adjusted EBIT margins were up 130bps to 18.0% (2023: 16.7% on a CER basis), ahead of our stated 2024 Group adjusted EBIT margin target of 17%.

On a reported basis EBIT was $200 million (2023: $184 million), after $70 million of exceptional and acquisition-related items (2023: $49 million) which predominantly relate to the execution of our strategic projects, delivery of the 2022 footwear acquisitions synergies, as well as the recent decision to right size our North American Yarns footprint to the medium-term demand trends.

Adjusted earnings per share (‘EPS’) increased by 18% to 9.5 cents (2023: 8.0 cents) and was driven by our improved operating performance. In addition we continued to tightly manage our interest costs, tax charge and profit attributable to minority interests. Reported EPS of 5.0 cents (2023: 5.2 cents) was broadly flat year on year due to the higher level of exceptional and acquisition-related items as we completed our actions from our strategic project initiatives and acquisition integration activities. Exceptional related items are expected to be significantly reduced going forward due to the completion of these actions during 2024.

Our Group cash performance was strong with adjusted free cash flow of $153 million (2023: $131 million) as we returned to normalised levels of working capital alongside ongoing market recovery. This cash performance represented a cash conversion level of 101% (2023: 101%) and reflects our ability to deliver high quality of earnings, and cash flow efficiencies, whilst continuing to deliver top line growth, together with some one-off timing benefits such as tax payments and VAT receipts.

Our Balance Sheet remains in a strong position, with net debt (excluding lease liabilities) of $449 million (December 2023: $384 million), and leverage of 1.5x. Leverage was flat year-on-year despite the £100 million contribution made to complete the remaining 80% buy-in of the UK pension scheme liabilities during the year.

Operating review cont.

Apparel

Coats is the global market leader in supplying premium sewing thread to the Apparel industries. We are the trusted value-adding partner, providing critical supply chain components services and software, and our portfolio of world-class products and services provide exceptional value creation for our customers, brands and retailers.

Revenue of $770 million (2023: $689 million) was up 13% on a CER basis (12% reported). As previously guided we saw customer inventory and buying patterns return to more normalised levels during the year despite wider macro concerns. This follows a prolonged period of industry destocking that commenced in 2022 and continued throughout the majority of 2023, and as such significantly impacts prior year comparators, particularly in the first half of the year.

The Apparel business continues to benefit from market share gains (2024 market share c.26% vs c.25% in 2023). We were also able to maintain pricing, and owing to our proactive procurement strategy, leverage moderating input costs in some areas.

We continue to be very well-positioned in our markets, as the global partner of choice for our customers, with market-leading product ranges and customer service, and a clear leadership position in innovation and sustainability. With market conditions normalising, our strong market position, agile supply chain, global presence, differentiation at scale and focus winning brands and manufacturers provide further opportunities for growth and market share gains.

Adjusted EBIT of $151 million (2023: $120 million) increased 28% versus the prior year on a CER basis. The adjusted EBIT margin was 220bps higher at 19.6% on a CER basis (2023: 17.5% reported), which is well ahead of our 2024 margin target of 15-16%. This was driven by improving volumes, alongside continued savings from our strategic projects, ongoing procurement benefits, and some foreign exchange gains. Excluding these foreign exchange gains, underlying margins were around 19%.

Over the medium-term we expect Apparel to grow at a 3-4% CAGR, ahead of underlying market growth at 1-2% with market share gains and new organic adjacencies driving the outperformance. Continued market share gains will come from our deep customers relationships and our position as leader in sustainability, innovation and digital. We see opportunities in the China and India domestic markets with the growing middle class and opportunities to drive our fashion technology business Coats Digital. We expect the medium-term EBIT margin to be >19%.

Footwear

We are the trusted partner to the footwear industry, shaping the future of footwear for better performance through sustainable and innovative solutions. The combination of Coats, Texon and Rhenoflex makes us a global champion with a portfolio of highly engineered products with strong brand component specification, primarily targeted at the attractive athleisure, performance, and sports markets as well as structural components for premium leather handbags (lifestyle).

Footwear revenue increased 10% to $403 million (2023: $368 million) on a CER and reported basis. The revenue growth was driven by the normalisation of customer buying patterns and inventory levels post the significant destocking cycle seen in 2022 and 2023 (which contributed to weaker comparators through most of 2024), albeit the recovery profile has been slightly behind that of the Apparel division, as previously reported.

Our Footwear division has a focus on innovation and sustainability, and this year we have introduced new products and technologies that meet environmental sustainability criteria, aligned with market and customer needs. Our combined capability as Coats Footwear has accelerated this process. Not only do we have a broad portfolio, but we also have a strong focus on fast-growth sports and athleisure brands which attract premium pricing. Our longstanding partnerships with leading brands enables our growth to be ahead of the market. We have also continued to deliver share gains and new programme wins taking our estimated market share to 29% (2023 market share 27%), strengthening our position as a trusted partner for the footwear industry. We continue investing in dedicated resources to key brands and retailer and sustainable innovation capabilities.

Part of the strategic rationale for combining the three footwear businesses (Coats' existing Footwear thread business, Texon and Rhenoflex), has been to enable cross-selling of our broad range of products to customers through a single customer-facing commercial team. We have created a number of opportunities for complementary offerings, with our customers seeing the potential to simplify and optimise their supply chains and we are pleased with the progress in 2024. We are now seeing the benefits of this, and in the period succeeded in cross-selling our products to two large well-known European sports brands, as well as a leading US brand.

Adjusted EBIT of $95 million (2023: $84 million) with adjusted EBIT margin 70bps higher at 23.5% on a CER basis, significantly in excess of our 2024 margin target of >20%, driven by a combination of improved volumes, strong commercial delivery and continued benefits from the acquisition integration synergies. Acquisition integration has focused on commercial and general & administrative costs, as well as on procurement, and consequently we have delivered $22 million of annualised efficiency savings (significantly ahead of our initial guidance of $11 million savings). During the second half of the year we commenced some consolidation of sites within Europe to drive improved operating efficiencies. We also expanded our Indonesia operations to provide greater capacity in this fast growing footwear market which is becoming increasingly important to our customer and supplier base.

Over the medium-term we expect Footwear to grow at a 7-9% CAGR, ahead of underlying market growth at 4-5% with market share gains and organic expansion into adjacencies driving the outperformance. Market share gains will come from our position as leader in sustainability, innovation and digital. We see opportunities to cross sell to customers in legacy thread or structural components businesses and in the China domestic market. We will also focus on structural components and threads for lifestyle products. We expect the medium-term EBIT margin to be in 24-26% range.

Operating review cont.

Performance Materials ('PM')

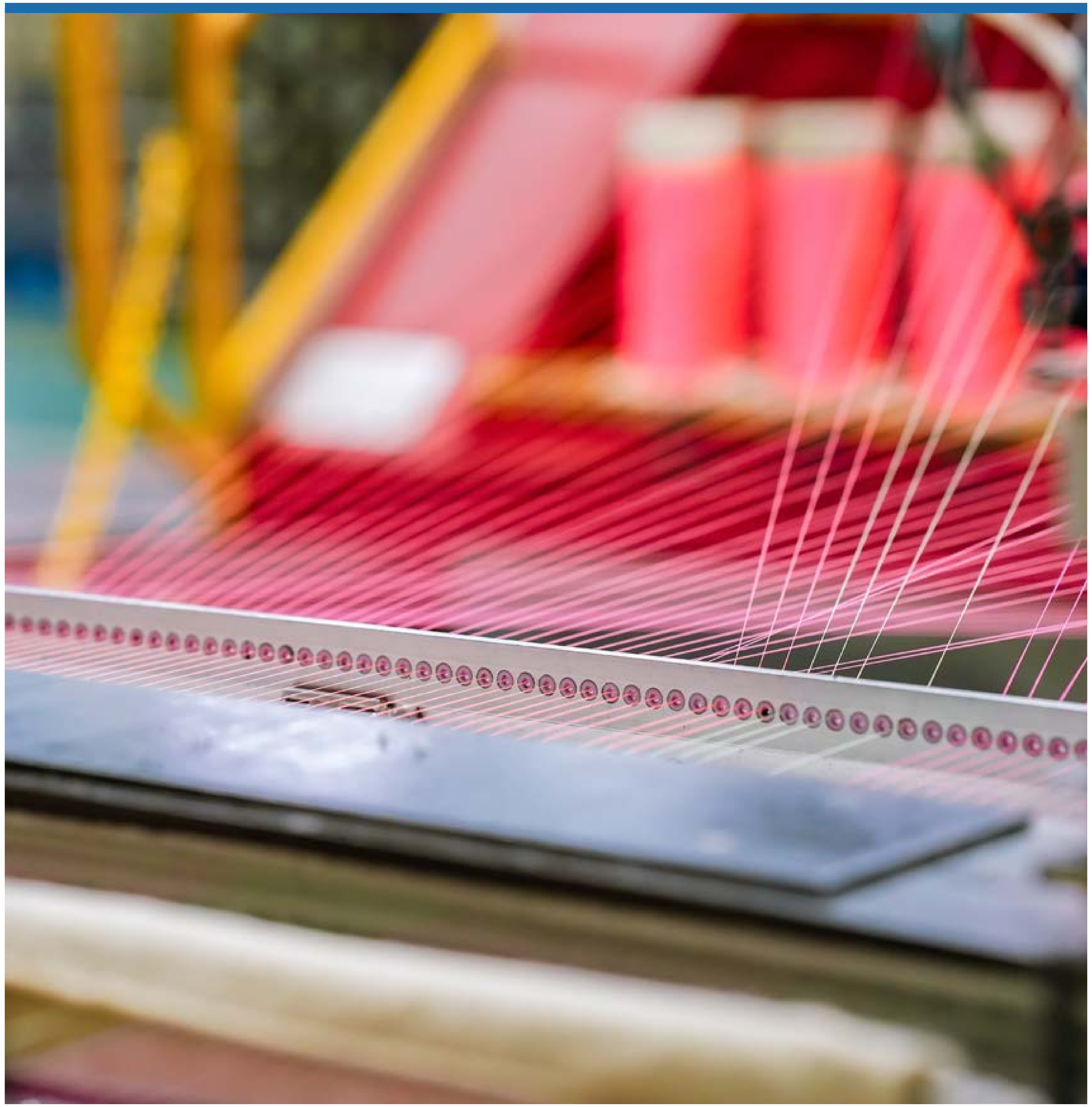
We are experts in the design and supply of a diverse range of technical products that serve a variety of strategic end use markets. Building on over 250 years of leadership in textile engineering we incorporate specific design features to provide highly engineered solutions for our customers. The division operates across Personal Protection Equipment (PPE), Telecom & Energy and Industrials. PPE offers multi-hazard industrial applications for industrial thermal protection, firefighting and military wear. Telecom & Energy provides products and solutions for fibre optic cables and oil & gas pipeline sectors. Industrials has applications in a range of sewn products including safety-critical automotive airbags and seat belts, outdoor goods, household products like bedding and furniture, hygiene-sensitive consumer goods like feminine hygiene products and tea bags.

PM is structured as three sub-segments: PPE (38% of 2024 divisional revenue) which includes both the American yarns business and PPE threads and fabrics, Telecom & Energy (17% of 2024 divisional revenue) and Industrials (45% of 2024 divisional revenue).

PM revenue declined 1% to $328 million (2023: $336 million) on a CER basis (3% decline on a reported basis), with PPE flat on a CER basis, Telecom & Energy decreasing by 7% (CER) against particularly strong comparators, and Industrials increasing by 1 % (CER). As previously disclosed there have been issues in some US markets as well as destocking at some US telecommunication customers in Telecoms & Energy.

Adjusted EBIT was 12% lower vs 2023 on a CER basis at $24 million (2023: $29 million). Adjusted EBIT margins were 7.4% (2023: 8.6% reported), below the 2024 margin target of 13-14%, reflecting the softness of our end markets (which we expect to continue in 2025) as well as the under utilisation of our footprint in Mexico. Action has been taken to right size the footprint capacity in Mexico in relation to the changing medium-term demand dynamics in the North American Yarns business with the announcement of the closure of the Toluca facility in December 2024. 2024 PM EBIT margins included c.$6 million of under-recovered costs in relation to the US / Mexico plant transitions, which will no longer be incurred following the decision to close the Toluca plant. Although actions taken in Toluca will yield immediate benefits, the progression of the margin will be dependent on volume recovery in yarns and stabilisation of the macroeconomic environment in Turkey.

Medium-term revenue growth potential is expected to be high single digits for PPE which reflects lower growth potential for North American Yarns offset by the higher growth PPE threads and fabrics business, low double-digits for Telecom & Energy (underlying market growth of >5% CAGR), and growth in line with global GDP for Industrials. The overall medium-term revenue growth target for the division is a 6-8% CAGR and we expect the EBIT margin to reach 13-15% in the medium-term through a combination of operational improvements, market recovery in Industrials and Telecom and growth initiatives in composite tapes for the Energy markets and PPE fabrics.



Financial review

Revenue

Group revenue from continuing operations increased 8% on a reported basis and 9% on a CER basis. All commentary below is on a CER basis unless otherwise stated.

Operating Profit (EBIT)

At a Group level, adjusted EBIT from continuing operations increased 18% to $270 million and adjusted EBIT margins increased 130bps to 18.0%. The table sets out the movement in adjusted EBIT during the year.

	$m	Margin %
2023 adjusted EBIT	**233**	**16.7%**
Volumes impact (direct and indirect)	37	
Price/mix	11	
Raw material deflation	9	
Labour inflation	(22)	
Other inflation (incl. energy / freight)	(9)	
Productivity benefits (manufacturing and sourcing)	25	
Strategic projects savings	10	
Increased incentive payments (SD&A)	(10)	
Other SD&A increases	(16)	
Others	(5)	
Texon and Rhenoflex synergies	6	
2024 adjusted EBIT	**270**	**18.0%**
Exceptional and acquisition related items	(70)	
2024 reported EBIT	**200**	

Following the significant volume headwinds during 2023, primarily due to widespread industry destocking in Apparel and Footwear, there has been a return to year-on-year volume growth during 2024 against these weaker comparators. The direct and indirect impact of this contributed to a significant improvement in operating profits and margins vs 2023.

We have benefited from an effective pricing strategy as the benefits of easing raw material costs seen during 2023 and H1 2024 have largely now ended. Other cost categories such as freight and energy have returned to an inflationary trend, and labour inflation has maintained throughout and remains at relatively normal levels. Overall, our ability to deliver price gains and continue to generate productivity benefits has again more than offset our overall inflationary pressures.

Selling, Distribution and Administration (SD&A) costs are above last year as certain costs have returned to the business. This increase is in part due to the return to top line growth, but also due to targeted reinvestments into the business after a period of significant cost containment during the destocking cycle, as well as higher incentive payouts due to the strong financial performance in the year. We have also benefited from a further $10 million of efficiency savings (total savings to date are $67 million), in relation to our strategic projects announced in March 2022, for which the actions are now largely complete as planned during 2024. Our 2022 acquisitions, Texon and Rhenoflex, will deliver a total of $22 million of annualised synergy benefits with $6 million of incremental benefits versus 2023.

The Group's adjusted EBIT margins increased by 130bps to 18.0% on a CER basis (2023: 16.7%), with the impact of the year-on-year volume increases, self-help actions, strategic project savings and acquisition synergies all contributing.

On a reported basis, Group EBIT, including exceptional and acquisition-related items, increased to $200 million (2023: $184 million). A breakdown of these items is provided below. Exceptional and acquisition-related items are not allocated to divisions and, as such, the divisional profitability referred to above is on an adjusted basis.

Foreign exchange

The Group reports in US Dollars and translational currency impacts can arise, as its global footprint generates significant revenue and expenses in a number of other currencies. During the year, this was a headwind of 1% on revenue and 2% on adjusted EBIT. As previously announced, these adverse translation impacts were primarily due to the previous adoption of hyperinflation accounting in Turkey, and furthermore saw local EBIT headwinds as inflationary pressures continued to accelerate. Aside from the impact of the Turkish Lira, and the resulting volatility of hyperinflation accounting, underlying headwinds were modest and driven primarily by the depreciation of Chinese and Egyptian currencies. At latest exchange rates, we expect a 1-2% headwind impact on revenue and adjusted EBIT for full year 2025 (excluding any future hyperinflation impact in Turkey, which cannot be forecasted with accuracy).

Non-operating results

Adjusted EPS increased by 18% year-on-year to 9.5 cents (2023: 8.0 cents), supported by a return to growth in Apparel and Footwear during the year. Interest costs were broadly flat year on year, despite the higher net debt due to the UK pensions settlement payment, as we managed our cash position well throughout the year. Our effective tax rate remained well controlled, alongside a marginal increase in profit attributable to minority interests as a result of strong operational performance in Vietnam and Bangladesh. Reported EPS of 5.0 cents (2023: 5.2 cents) was broadly flat year on year as improved trading performance was offset by higher exceptional items as we largely completed our strategic project and acquisition integration actions.

The adjusted taxation charge for the year was $70 million (2023: $58 million). Excluding the impact of exceptional and acquisition-related items, the effective tax rate on pre-tax profit remained at 29% (2023: 29%), in line with our guidance. The reported tax rate for the year was 42% (2023: 35%), after exceptional and acquisition related items.

Exceptional and acquisition-related items

Net exceptional and acquisition-related items before taxation were $70 million (2023: $49 million). These include $27 million of restructuring costs in relation to the remaining actions on our strategic projects, $15 million of costs in relation to the closure of the Toluca site, Footwear integration synergy costs of $1 million, UK pension related costs of $2 million, and other acquisition-related items of $25 million.

Financial review cont.

Strategic project costs of $27 million relate to the strategic initiatives commenced during 2022; and primarily consist of severance costs of $7 million, legal / advisor / closure costs of $12 million, and non-cash asset impairments of $8 million. These costs have supported the acceleration of project benefits, with $10 million of incremental adjusted EBIT delivered in the year (with $67 million incremental savings on the projects to date). These costs include the activities in relation to our Footwear division footprint transition in Europe where we are consolidating two sites into one in order to drive operating efficiencies, and the expansion of our Indonesian operations in a strong footwear industry growth market.

A $15 million charge was incurred in relation to the rightsizing of the North American Yarns footprint (Toluca) to align to long-term demand expectations, and consisted of $1 million of severance costs, $10 million of non-cash impairment charges on PPE and right-of-use lease facilities and $5 million of advisor / decommissioning fees. Expected cash costs of this closure are $8 million.

A further $1 million of costs have been incurred in relation to the delivery of the Footwear acquisition synergies, which has now yielded annualised savings of $22 million, significantly ahead of the original $11 million target.

Other acquisition-related items of $25 million consisted of the amortisation charges from the newly recognised intangible assets from the Texon and Rhenoflex acquisitions, and the amortisation of intangible assets acquired with previous acquisitions.

Exceptional P&L costs in 2025 in relation to strategic projects and the footwear acquisition synergies are expected to be minimal, following completion of the actions in respect of those initiatives.
The remaining cash exceptional costs of up to around $7 million (net of property proceeds) in relation to the strategic project actions are expected to be incurred in 2025, keeping overall project cash costs within the $50 million total project guidance for $75 million total savings. In addition, the remaining cash costs in relation to the Toluca plant closure of around $6 million will be incurred in 2025.

Cash flow

The Group delivered a strong adjusted free cash flow of $153 million (2023: $131 million), driven by improved profitability as a result of market recovery and a return to normalised levels of working capital, as well as some one-off timing benefits such as tax payments and VAT receipts. Adjusted free cash flow is measured before acquisitions, disposals and dividends, and excludes exceptional items.

We have continued to manage net working capital closely, with a focus on inventory (inventory days down by four days during the year), without compromising service levels. We also continued our disciplined approach to payables and receivables management during the year as an input to working capital efficiency.

Capital expenditure was $28 million (2023: $31 million) as we continued to maintain a selective approach to investing in growth opportunities and in strategic projects which will favourably impact long-term returns. We anticipate 2025 full year capital expenditure to remain in the $30-40 million range as we continue to invest in support of our growth strategy, in productivity and in our environmental performance.

Minority dividends of $18 million (2023: $20 million) were paid, as cash was repatriated from those relevant overseas entities to the Group. Tax paid was $71 million (2023: $61 million). Interest paid was $32 million (2023: $34 million).

The Group delivered an overall free cash outflow of $58 million (2023: $15 million inflow). This primarily reflects the adjusted free cash inflow of $153 million, offset by:

- Exceptional and other non-recurring, mainly relating to strategic projects of $21 million;
- UK pension settlement of £100 million ($128 million);
- Dividend payments of $46 million.

Net debt (excluding lease liabilities) at 31 December 2024 was $449 million (31 December 2023: $384 million). Including lease liabilities, net debt was $533 million (31 December 2023: $471 million).

UK pension update

As referred to above, in September we announced that the trustee of the Coats UK Pension Scheme (the “scheme”) purchased a c.£1.3 billion ($1.7 billion) bulk annuity policy (“buy-in”) from Pension Insurance Corporation plc (“PIC”) which insures benefits payable under the scheme in respect of the remaining 80% of the scheme’s liabilities. This is further to the purchase of a bulk annuity policy for 20% of the scheme liabilities in December 2022.

As a result of the buy-in, all the financial and demographic risks relating to the scheme’s liabilities are now fully hedged, with the two policies paying the scheme a regular stream of income that matches its pension payments to all members.

This buy-in is the final and most significant step in Coats fully insuring its UK pension obligations. Subject to customary post-transaction data reconciliations and the scheme liquidating certain assets in order to meet a deferred element of the PIC premium, it will also give Coats the option to remove the scheme fully from the Group balance sheet in the future at very limited further administrative cost.

The agreement with PIC is anticipated to require up to c.£100 million ($128 million) of additional funding from the Group, with Coats making a £70 million ($90 million) upfront cash contribution to the scheme and a further £30 million ($38 million) provided initially as a loan to the scheme. The £100 million cash contribution was made in H2 2024.

As previously reported, deficit repair contributions to the scheme, of around $30 million per annum, were temporarily switched off in January 2024 and will now permanently cease as a result of this agreement.

Financial review cont.

Balance sheet and liquidity

Group net debt (excluding lease liabilities) at 31 December 2024 was $449 million ($533 million including lease liabilities), which was above 31 December 2023 ($384 million). This reflects strong and disciplined cash management as noted above, offset by residual exceptional cash costs in relation to strategic projects, shareholder dividends, and the UK pensions settlement during H2.

During 2024, we successfully refinanced our revolving credit facility with our banks (increased by $60 million to $420 million) and replaced the original $125 million 2017 tranche of USPP notes with $250 million 6 to 10 year notes at attractive investment grade rates. This leaves our total committed debt facilities at $1,020 million with well diversified source and tenor; being $420 million revolving credit facility, and $600 million USPP notes (with a range of remaining tenors between 3 and 10 years). The committed headroom on our banking facilities was approximately $420 million at 31 December 2024.

At 31 December 2024, our leverage ratio (net debt to EBITDA; both excluding lease liabilities) remains well within our 3x covenant limit, and towards the middle of our target leverage range of 1-2x.

There was also significant headroom on our interest cover covenant at 31 December 2024 which was 11.4x, with a covenant limit of greater than 4x. The covenants are tested twice annually in June and December and monitored throughout the year.

Going concern

On the basis of current financial projections and the facilities available, the Directors are satisfied that the Group and the Company has sufficient resources to continue in operation for the period from the date of this report to 30 June 2026, and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details of our going concern assessment, financial scenarios and conclusions are set out in Note 1.

This Strategic Report was approved by order of the Board.

On behalf of the Board

David Paja
Group CEO

5 March 2025

Chair's introduction to governance

David Gosnell

Chair

"I am pleased to introduce the Governance report for the year ended 31 December 2024. This report summarises how the Board and our governance structures have supported Coats in seeking to achieve our strategic goals and deliver long-term sustainable success for our stakeholders."

HIGHLIGHTS FOR 2024

The year in review

Following the significant transformation of the business in recent years, during 2024 the Board has particularly focussed on ensuring that there is the right leadership, and the desired culture and risk management approach, embedded at all levels of the business. This will continue our momentum and enable our growth ambitions, building on the strong foundations that we have developed during a period of significant demand volatility.

Leadership

As I mentioned in my Chair's statement, implementing effective succession and providing support in relation to the Board changes has been a priority this year. In 2024, Steve Murray became our Senior Independent Director and Sarah Highfield assumed the position of Chair of the Audit and Risk Committee. This followed Nicholas Bull stepping down from the Board at the 2024 AGM after serving as a Director for nine years. In May 2024, we announced that David Paja would join the Board in September 2024, and become Group CEO in October 2024. This followed Rajiv Sharma stepping down from the Board as mutually agreed to facilitate an orderly succession process.

In August 2024, we announced that Srinivas Phatak would join the Board as a Non-Executive Director in September 2024 and would also join the Audit and Risk Committee and the Nomination Committee.

Most recently, on 7 January 2025, we announced that Hannah Nichols will join the Board as Group Chief Financial Officer designate and an Executive Director on 24 April 2025 and will succeed Jackie Callaway as Group Chief Financial Officer at the conclusion of the 2025 AGM. I would like to thank Jackie for her contributions, and I look forward to working with Hannah.

I would also like to thank Nicholas and Rajiv once again for their commitment and service to the Company during their tenure. I have enjoyed working with Steve and Sarah in their new roles, and I am delighted to welcome Srinivas to the Board. I am confident that we will continue to have the effective and resilient leadership required to achieve our ambitions. You can read more about our succession planning processes in the Nomination Committee report on pages 83 to 85. Biographical details for the Board are set out on pages 68 to 70.

A summary of how we have applied the principles of the UK Corporate Governance Code is set out below.

Chair's introduction to governance cont.

Risk

Operating in a dynamic business environment requires the Board to have a robust and pragmatic risk management approach. Thanks to the hard work undertaken over a number of years, the Board was pleased to announce the final de-risking of the Coats UK Pension Scheme as a result of the purchase of a bulk annuity policy as announced in September 2024.

During 2024, the Audit and Risk Committee has overseen the review of the Group Internal Audit function which has resulted in the realignment of the scope and focus of that function as well as implementing changes in its resourcing. The Audit and Risk Committee has also spent significant time considering the requirements of the 2024 UK Corporate Governance Code, which has applied since 1 January 2025. You can read more about both of these subjects in the Audit and Risk Committee report on pages 77 to 82.

The Board itself has also conducted various in-depth discussions on the topic of cyber security, a continued area of focus. This culminated in the Board participating in a simulation exercise to ensure our processes and understanding were suitably robust. You can read more about our approach to risk management in the Principal risks and uncertainties report on pages 50 to 56.

Culture, ESG and DEI

Our culture is a key component to enable us to make progress with our strategic plans. The Board has a critical role in monitoring the degree to which culture and values are embedded within the Group. The Board monitors cultural and diversity metrics at each Board meeting, has detailed people-related sessions throughout the year and ensures that management is appropriately following up and intervening when inconsistent working behaviours are identified. You can read more about the Board and culture on page 74.

Sustainability at Coats, including climate-related governance, continues to be led by the Board and supported by the Sustainability Committee. Strategy development and monitoring of action plans at an executive level is championed by the Group CEO and the whole Group Executive Team (GET). The responsibilities for each element of our ESG activities are set out in the Committees' section (see page 72). Our independent Non-Executive Directors play a large role in the Board's ESG oversight, including through Committee membership and designated responsibilities at Board level.

Further details of the Group's stance and focus on ensuring effective stewardship in respect of key ESG matters are set out in the Sustainability section of this Annual Report, and also in our Sustainability Report (available on **www.coats.com/sustainability**). The Board is delighted that the Group has published external limited assurance on its ESG-related data this year.

>16,000 PERMANENT EMPLOYEES SPREAD ACROSS 50+ COUNTRIES

You can also review our report on our compliance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations on pages 182 to 198.

Board evaluation

In 2024, an internal review process of the Board and all of its Committees was undertaken to assess their composition, dynamics, scope of work and effectiveness. In a year of changing leadership, this process was critically important in ensuring that we continued to operate effectively. As usual, we assessed the outcomes of previous reviews to ensure that suitable progress had been achieved. Focus areas for 2025 were also identified.

Our process for conducting a further standalone extensive appraisal for each Non-Executive Director that has served for a further term of three years from either election or from their last full appraisal has continued. The Board remains satisfied with its own performance and the standalone appraisal exercise rated all Board members' performances positively. You can read more about these areas on page 76 and in the individual Committee reports.

David Gosnell
Chair

5 March 2025

In last year's Annual Report, the Board set out its plans for the succession of the role of Chair. In a process led by the Senior Independent Director, from which the Chair recused himself, and in consultation with our shareholders, it was proposed to extend David Gosnell's term for up to three years (subject to annual re-election).

In line with that previously communicated plan, the Board is proposing David's re-election as Chair. David has now served as a Director for ten years, although has only served as Chair since May 2021. The Board believes this is appropriate, in line with provision 19 of the Code, in particular in light of the recent and forthcoming transitions of the Executive Director roles and the recent period of significant transformation of the Group.

You can find full details of the process that has been undertaken to consider the proposal for David's re-election in the Nomination Committee report on page 85 and in the Notice of AGM.

THE UK CORPORATE GOVERNANCE CODE

Compliance statement

Coats has applied all of the principles and complied with all the relevant provisions of the 2018 UK Corporate Governance Code (Code) during the course of the year ended 31 December 2024.

A summary of how we have applied the principles set out in the Code is presented in the table on page 64.

Corporate governance report

Stakeholders key

CUSTOMERS · ENVIRONMENT · SHAREHOLDERS · COMMUNITIES · EMPLOYEES · SUPPLIERS

HOW GOVERNANCE SUPPORTS STRATEGY

	Accelerate profitable sales growth	Transform the business	Create value
Strategic goal	ACCELERATE PROFITABLE SALES GROWTH Read more on page 13	TRANSFORM THE BUSINESS Read more on page 13	CREATE VALUE Read more on page 13
Key stakeholders	Customers, Suppliers, Shareholders, Employees	Customers, Suppliers, Shareholders, Employees, Environment	Customers, Suppliers, Shareholders, Employees
The Board's governance role	The Board approves the Group's strategy and annual operating plan, reviews subsequent progress and makes decisions related to matters reserved for the Board in order to support the delivery of this strategy.	The Board reviews the strategy for sustainable growth and leverages its collective experience to advise on related matters.	The Board reviews key proposals relating to business capability.

	Board discussions during 2024	
Strategy	– Annual strategy day focussing on key strategic matters including India and Indonesia, review of asset utilisation, talent and sustainability. – Regularly reviewed performance against strategy. – Reviewed Group's tax strategy and policy. – Carried out deep-dives into each division, which considered strategy, market update and outlook, review of retail segments/customer developments, performance against competitors, sustainability, innovation and internal talent.	– Received reports on macro-economic environment and geopolitical developments. – Considered and approved of footprint changes – including Germany, India, Mexico and UK – and reviewed potential M&A pipeline. – Reviewed analyst and broker presentations.
Operational	– Update on markets and divisional performance presented at every Board meeting. – Reviewed, approved and regularly monitored annual operating plan and Medium Term Plan. – Reviewed and approved refinancing arrangements for USPP and Revolving Credit Facility.	– Deep dives into cyber security including simulation exercise. – Reviewed the Company's capital allocation and considered, and approved, interim and final dividends. – Consideration of going concern and long-term viability statement.
ESG	– Tracking of ESG (including H&S, GPTW® and diversity) metrics at every Board meeting via Group CEO dashboard to ensure appropriate progress against internal and external targets. – Received reports on workforce engagement, culture and results of the Your voice Matters survey. – Oversaw preparations for external limited assurance on ESG-related data at the Audit and Risk Committee. – Reviewed succession plans and talent strategy, including updates on Coats for All and Coats for Her at both Board and Nomination Committee meetings.	– Conducted extensive assessment of all employee reward and living wage commitment at the Remuneration Committee. – Deep dive into talent pools for below-GET level succession including reviews of diversity and suggestions for development opportunities. – Reviewed Group Internal Audit function at the Audit and Risk Committee.
Governance	– Approved appointment of David Paja as an Executive Director and Group CEO, and of Srinivas Phatak as a Non-Executive Director, and changes to the GET to be effective in 2025. Group Chief Financial Officer transition announced in January 2025. – Reviewed interactions with investors at every Board meeting. – Quarterly whistleblowing and fraud report reviews and consideration of remedial actions. – Deep dive into each division's internal controls and risk management processes at the Audit and Risk Committee. – Reviewed Group Supplier Code compliance and Supplier payment terms at the Audit and Risk Committee. – Preparation for the implementation of the 2024 UK Corporate Governance Code.	– Reviewed insurance arrangements and risk register, including risk trends. – Received reports in relation to material legal matters, including disputes and regulatory and governance developments. – Regular reports from the Chairs of the Audit and Risk Committee, Nomination Committee, Remuneration Committee and Sustainability Committee. – Reviewed and approved of key Board and Group policies including Modern Slavery. – Reviewed Board and Committee effectiveness, including action tracking.

GOVERNANCE STRUCTURE:

Our governance framework enables effective decision making and ensures collaboration between the Board, its Committees and the GET while also maintaining clear separation of key Board roles to ensure the correct division of responsibilities.

CHAIR

- Primarily responsible for the overall effectiveness of the operation, leadership and governance of the Board.
- Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors. Ensures that there is a focus on Board succession plans to maintain continuity of skilled resource. Responsible for CEO succession.
- Provides advice and acts as a sounding board to the Board and management. Has open and regular contact and interaction with the CEO.
- Ensures effective communication with our shareholders.

NON-EXECUTIVE DIRECTORS

- Contribute to developing our strategy.
- Scrutinise and constructively challenge the performance of management in the execution of our strategy.
- Responsible for the governance of the Company.
- Bring their diverse expertise to the Board and the Board Committees.
- Devote such time as is necessary to the proper performance their duties.

SENIOR INDEPENDENT DIRECTOR

- Provides a sounding board to the Chair.
- Leads the appraisal of the Chair's performance with the other Directors annually.
- Acts as an intermediary for other Directors, if needed.
- Available to respond to shareholder concerns if contact through the normal channels is inappropriate.

COMPANY SECRETARY

- Provides support to the Board and ensures information is made available to the Board in a timely manner.
- Supports the Chair on meeting management arrangements including setting the agenda for the Board, administering effectiveness reviews, ensuring appropriate Board training and coordinating Board inductions.
- Provides advice on corporate governance matters.

All Directors have access to the advice of the Group Company Secretary.

THE BOARD OF DIRECTORS

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The key roles of the Board are:

- setting the strategic direction of the Group, including consideration of strategic acquisitions and divestments;
- overseeing implementation of the strategy and monitoring performance by ensuring that the Group is suitably resourced to achieve its aspirations;
- overseeing returns to shareholders and monitoring the share price;
- encouraging entrepreneurial leadership by providing a framework of prudent and effective controls which enables risk, including risk tolerance, to be assessed and managed, supported by robust systems of governance, ethics and compliance;
- engaging appropriately with stakeholders to understand their views; and
- setting and monitoring the Group's culture, supported by its values, and ensuring alignment with the Company's purpose and strategy.

See page 66 for examples of discussions of key strategic topics at Board meetings in 2024.

AUDIT AND RISK COMMITTEE

See page 77 for more information.

NOMINATION COMMITTEE

See page 83 for more information.

REMUNERATION COMMITTEE

See page 86 for more information.

SUSTAINABILITY COMMITTEE

See page 72 for more information.

GROUP CEO

See biography on page 68.

- Responsible for Executive Management of the Group as a whole.
- Leads the GET (see page 71).
- Delivers strategic and commercial objectives within the parameters agreed by the Board and within the Board's stated risk appetite (see pages 50 to 56 for more details on key risks).
- Builds positive relationships with all the Group's stakeholders (see pages 44 - 46).

See page 84 for more information on the succession process for the Group CEO.

GROUP CHIEF FINANCIAL OFFICER

See biography on page 68.

- Responsible for financial management and implementing and monitoring effective financial controls.
- Supports the Group CEO in developing and implementing the Company's strategy.
- Oversees relationships with the investment and banking community.

See page 84 for more information on the succession process for the Group Chief Financial Officer.

Board of Directors as at 31 December 2024

Key to Committee memberships

- ● Committee chair
- A Audit and Risk
- N Nomination
- R Remuneration
- S Sustainability

David Gosnell OBE

Chair of the Board

British

Appointed as a Non-Executive Director on 2 March 2015, Chair of the Board since 19 May 2021

Key skills and experience

- Strong and deep supply and procurement background in global multinational companies
- International and strategic mindset

Previous experience and external appointments

Was previously Chair of Old Bushmills Distillery Company Ltd and a Non Executive Director of Brambles Ltd. David retired from Diageo plc in 2014 where he had most recently held the role of President of Global Supply and Procurement. Prior to joining Diageo, David spent 25 years at HJ Heinz in various operational roles.

Qualifications

David is a Fellow of the Institute of Engineering and Technology and holds a Bachelor of Science degree in Electrical and Electronic Engineering from Middlesex University. He has completed Supply Chain Manufacturing – Drive Operational Excellence at INSEAD (Singapore).

See the Nomination Committee report on page 83 and an overview of the activities of the Sustainability Committee on page 72.

David Paja

Group CEO

Spanish

Appointed as an Executive Director on 1 September 2024, Group CEO since 1 October 2024.

Key skills and experience

- Over 30 years of leadership in automotive, aerospace & defence, and fire & security industries
- Proven success in scaling new technologies, turning around businesses, and driving substantial growth
- Expertise in managing global operations across nine countries and three continents

Previous experience and external appointments

David was CEO of GKN Aerospace, part of Melrose Industries PLC, where he played a major role in the successful turnaround of the business and delivery of profitable growth. Prior to this, David held senior leadership positions at Aptiv, Honeywell and Valeo.

Qualifications

David holds an Engineering degree from the University of Valladolid, as well as an MBA from INSEAD.

See the Group CEO's statement on page 7.

Jackie Callaway

Group Chief Financial Officer

New Zealander

Appointed as an Executive Director on 1 December 2020, Group Chief Financial Officer since 1 April 2021

Key skills and experience

- Strong finance track record
- Experience across multinational manufacturing and supply chain businesses

Previous experience and external appointments

Non-Executive Director of IMI plc. Member of Australian Institute of Company Directors since 2017.

Previously Chief Financial Officer of Devro plc, one of the world's leading manufacturers of collagen products for the food industry. Prior to that, Jackie was Group Financial Controller of Brambles Ltd, the ASX top 20 supply chain logistics company

Qualifications

Jackie is a Fellow of the Chartered Accountants Australia and New Zealand, and of the Institute of Chartered Accountants in England and Wales. She has a Bachelor of Business Management Studies from the University of Waikato, New Zealand.

As announced on 7 January 2025, Jackie will step down from the Board and as Group Chief Financial Officer at the conclusion of the 2025 AGM as part of a mutually agreed succession process. Jackie will be succeeded by Hannah Nichols, who will join the Board as an Executive Director and Group Chief Financial Officer designate on 24 April 2025.

Board of Directors cont.

Key to Committee memberships

- Committee chair
- A Audit and Risk
- N Nomination
- R Remuneration
- S Sustainability

Stephen (Steve) Murray

Senior Independent Non-Executive Director

British

Appointed as a Non-Executive Director on 1 September 2022,
Senior Independent Non-Executive Director since 22 May 2024

Key skills and experience

- More than 30 years' experience in the apparel and footwear industry
- Strong background in general management and track record of delivering positive change globally and regionally

Previous experience and external appointments

Previously Global Brand President of The North Face and a member of the group executive leadership team at VF Corporation, one of the world's largest apparel, footwear and accessories companies and the parent company of The North Face, Timberland and Vans. Steve previously served as CEO of Airwair International (Dr. Martens, the iconic British footwear brand), and prior to that he served as Global Brand President of Vans, Global Brand President of Urban Outfitters and EMEA President of Deckers Brands.

Qualifications

Steve holds a bachelor's degree in Business Studies from Middlesex University, England.

Sarah Highfield

Independent Non-Executive Director

British

Appointed 1 November 2023

Key skills and experience

- Strong finance track record
- Significant experience of driving growth globally, including in the US and China

Previous experience and external appointments

Chief Financial Officer of Away Resorts Ltd, a UK holiday parks business. Previously Chief Executive Officer of Elvie, the female technology firm, having previously served as Chief Operating Officer & Chief Financial Officer and Deputy Chief Executive Officer. Sarah was also a Non-Executive Director and Chair of the Audit Committee at Seraphine Group plc, which was listed on the main market from 2021 to 2023. Prior to joining Elvie, Sarah was Group Chief Financial Officer at Costa Coffee for over five years, including during the c£3.9billion sale to The Coca-Cola Company. She was also Chief Financial Officer of Tesco's Hungary and Slovakia businesses.

Qualifications

Sarah has a BSc in Mathematical Sciences from the University of Birmingham and is a qualified accountant, Chartered Institute of Management Accountants.

Sarah was appointed as Chair of the Audit and Risk Committee on 22 May 2024 having succeeded Nicholas Bull, who stepped down from the Board at the conclusion of the 2024 AGM. Sarah brings extensive financial experience through her previous roles with global businesses.

See the Audit and Risk Committee report on page 77.

Hongyan Echo (Echo) Lu

Independent Non-Executive Director

British/Chinese

Appointed 1 December 2017

Key skills and experience

- Global business experience gained in different sectors in Europe, Asia and the US
- Strong background in general management and track record of building strong teams and delivering positive change

Previous experience and external appointments

Managing Director, UK and ROI, of Sonova Group AG, the global leader for innovative hearing solutions. Previously Chief Executive Officer of Haulfryn Group Ltd, a UK leisure business, Managing Director, International of Holland & Barrett International and Managing Director of Homebase Ltd as part of Home Retail Group plc. Echo spent ten years at Tesco plc in a variety of senior leadership roles. Echo was a Non-Executive Director of Dobbies Garden Centres and was a member of the Advisory Board for Diversity in Hospitality, Travel and Leisure.

Qualifications

Echo has a Bachelor of Arts in International Economy and Finance from Fudan University, Shanghai and a Master of Science in Industrial Relations and Human Resources from West Virginia University.

Echo was appointed as Chair of the Remuneration Committee on 1 May 2021, having served on the Remuneration Committee since her appointment to the Board in December 2017. Her background and qualifications in Industrial Relations and Human Resources provide the Company with an ideally experienced Chair of the Remuneration Committee.

See the Remuneration Committee report on page 86.

Board of Directors cont.

Key to Committee memberships

- ● Committee chair
- A Audit and Risk
- N Nomination
- R Remuneration
- S Sustainability

Srinivas (Srini) Phatak

Independent Non-Executive Director

Indian

Appointed 1 September 2024

Key skills and experience

– Extensive technical and commercial finance expertise
– Strong track record of driving competitive and sustainable growth across categories and markets and leading enterprise-wide transformation programmes

Previous experience and external appointments

Acting Chief Financial Officer for Unilever Plc. Srinivas has over 28 years of experience in the consumer products industry, working in the US, Europe, LATAM and India. During 2017 and 2021, Srinivas was Chief Financial Officer and Executive Director of Hindustan Unilever Limited, a Unilever subsidiary listed in India with a market capitalisation of over € 60bn. His other Unilever experiences include heading financial shared services, leading finance for supply chain in the Americas, large-scale M&A (including integration) and heading global treasury operations for Asia.

Qualifications

Srinivas has a postgraduate qualification in finance. He is a qualified accountant with professional degrees from the Institute of Chartered Accountants (ICAI) and the Institute of Cost Accountants (ICMAI).

Frances (Fran) Philip

Independent Non-Executive Director, Designated Non-Executive Director for Workforce Engagement

American

Appointed 1 October 2016

Key skills and experience

– Extensive speciality retailing business experience
– Deep background in product innovation, design and development
– Workforce dynamics experience

Previous experience and external appointments

Non-Executive Director of Vera Bradley Inc. and Sea Bags. Previously Fran worked for The Gap, Williams Sonoma, The Nature Company, and LL Bean, where she initially served as Director of Product Development, Home Furnishings, going on to hold a number of roles including Vice President, Affiliated Brands, before becoming Chief Merchandising Officer until her retirement. Fran was previously a Non-Executive Director of Regent Holdings, Totes Isotoner and Vista Outdoor Inc, and an industry executive for Freeman Spogli.

Qualifications

Fran has a degree in English and Sociology from Bowdoin College, Maine, and an MBA from the Harvard Business School.

› See an overview of the activities of the Designated Non-Executive Director for Workforce Engagement on page 74.

Jakob Sigurdsson

Independent Non-Executive Director

Icelandic

Appointed 1 October 2020

Key skills and experience

– International business experience across a diverse range of sectors with particular emphasis on growth in new or developing markets
– Strong background in general management and track record of delivering positive change

Previous experience and external appointments

Chief Executive Officer of Victrex plc, an innovative world leader in high-performance polymer solutions. Jakob has more than 20 years' experience in large multinational companies, both listed and private, including nine years with Rohm & Haas (now part of Dow Chemical) in the US, as well as Chief Executive of food manufacturer Alfesca in Europe and Chief Executive of Promens.

Between September 2016 and June 2017, Jakob was Chief Executive Officer of VÍS, the largest Icelandic insurance and reinsurance company. He has held various Non-Executive roles and was a Member of the University of Iceland Council and a Non-Executive Director of the Icelandic Technology and Development Board.

Qualifications

Jakob has a BSc in Chemistry from the University of Iceland and an MBA from the Northwestern University.

Group Executive Team (GET) as at 31 December 2024

David Paja

Group CEO

See biography on page 68

- Responsible for executive management of the Group as a whole and is accountable for the overall performance of the Group.
- Delivers strategic and commercial objectives within the Board's stated risk appetite (see page 50 for more detail on key risks).
- Builds positive relationships with all the Group's stakeholders (see page 44).

Jackie Callaway

Group Chief Financial Officer

See biography on page 68

- Responsible for financial management and implementing and monitoring effective financial controls.
- Supports the Group CEO in developing and implementing the Company's strategy.
- Oversees relationships with the investment and banking community.

Adrian Elliott

CEO, Apparel Division and Group Chief Commercial Officer

Read about Apparel on page 27

- Responsible for the overall performance of the Apparel division including delivery of the division's strategy, and the financial and non-financial KPIs.
- Responsible for all of the commercial and operational activities in the Apparel division.
- Drives innovation and sustainability delivery in line with Group objectives and strategy.
- Adrian also serves on the Board of Twine, a technology start-up, and chairs Coats Digital.

Stuart Morgan

Chief Legal & Risk Officer and Group Company Secretary

Read about our principal risks and uncertainties on page 50

- Responsible for legal and compliance, governance, risk management and company secretarial matters.

Soundar Rajan

CEO, Performance Materials Division

Read about Performance Materials on page 35

- Responsible for the overall performance of the Performance Materials division including delivery of the division's strategy, and the financial and non-financial KPIs.
- Responsible for all of the commercial and operational activities in the Performance Materials division.
- Drives innovation and sustainability delivery in line with Group objectives and strategy.

Farnaz Ranjbar

Chief Human Resources Officer

Read about People and Culture on page 23

- Responsible for delivering the global Human Resources strategy, including performance management, progression planning, reward and talent acquisition.

Frederic Verague

CEO, Footwear Division

Read about Footwear on page 31

- Responsible for the overall performance of the Footwear division including delivery of the division's strategy, and the financial and non-financial KPIs.
- Responsible for all of the commercial and operational activities in the Footwear division.
- Drives innovation and sustainability delivery in line with Group objectives and strategy.

The Group Executive Team, or GET, is the body through which the Group CEO exercises the authority delegated to him by the Board. The Group CEO leads the GET and has executive responsibility for the management, development and performance of the business. The Group CEO, Group Chief Financial Officer and the GET also take the lead in developing the strategy for review, constructive challenge and approval by the Board as part of the annual strategy review process.

CHANGES TO THE GET:

- Adrian Elliott was appointed Group Chief Commercial Officer effective from 1 July 2024.
- Soundar Rajan retired from Coats Group plc on 31 December 2024. Pasquale Abruzzese joined Coats Group plc on 13 January 2025 and succeeded Soundar as CEO, Performance Materials Division and he is also Group Chief Operations Officer.
- Hannah Nichols will succeed Jackie Callaway as Group Chief Financial Officer at the conclusion of the 2025 AGM.

BOARD COMMITTEES

Our governance framework enables effective decision making and ensures collaboration between the Board, its Committees and the GET.

AUDIT AND RISK COMMITTEE

– Oversees and monitors the integrity of the Company's financial statements, accounting processes and audits (internal and external).
– Ensures that risks are carefully identified and assessed, and that effective systems of risk management and internal control are in place and appropriately monitored.
– Reviews matters relating to fraud.
– Oversight of the governance-related element of ESG.

See page 77 for more information.

NOMINATION COMMITTEE

– Reviews the structure, size, composition and mix of skills and experience of the Board and its Committees.
– Identifies and nominates suitable executive and non-executive candidates to be appointed to the Board and reviews the talent pool.
– Considers wider elements of succession planning below Board level, including diversity and inclusion.
– Oversight of the diversity and inclusion-related social element of ESG.

See page 83 for more information.

REMUNERATION COMMITTEE

– Reviews and recommends the framework and policy for the remuneration of the Chair, the Executive Directors, the Company Secretary and senior executives, in alignment with the Group's reward principles.
– Reviews workforce remuneration and related policies, and alignment of incentives and rewards with culture, to help inform the setting of the Directors' Remuneration Policy.
– Consults with shareholders on the Remuneration Policy.
– Considers the business strategy of the Group and how the Remuneration Policy reflects and supports that strategy.
– Oversight of the remuneration-related social element of ESG.

See page 86 for more information.

SUSTAINABILITY COMMITTEE

– Provides strategic oversight and monitors the execution of the Company's sustainability strategy and initiatives.
– Oversees, reviews and provides input as required to refine, enhance and accelerate the progress of the Company's sustainability strategy, projects and targets.
– Oversees the environmental and employee engagement-related social elements of ESG.

The Sustainability Committee is chaired by David Gosnell. During 2024 its other members were the Group CEO, Sarah Highfield (Independent Non Executive Director), Fran Philip (Independent Non Executive Director), the three Divisional CEOs and the Group Sustainability Director.

The Committee was established in December 2021. Its terms of reference are reviewed annually and are available on **coats.com**.

The Committee met twice during 2024 and conducted an internal evaluation, which concluded it was working effectively with suggestions made for the 2025 workplan.

See the Sustainability section (page 15 to 16) and the TCFD section (from page 182 of this Report, and the **Sustainability Report** (available from **www.coats.com/sustainability**) for more information about our sustainability strategy and activities.

OTHER COMMITTEES

DISCLOSURE COMMITTEE

The Disclosure Committee oversees the Company's compliance with its disclosure obligations.
The Group CEO chairs the Committee, and its other members are the Group Chief Financial Officer and the Group Company Secretary.

GROUP RISK MANAGEMENT COMMITTEE (GRMC)

The GRMC is responsible for formulating risk management strategies and polices, and monitoring risk management throughout the Group. Its Chair is the Group CEO, and its membership is aligned to the GET.

See page 71 for information on the GET.

ACQUISITION COMMITTEE

The Acquisition Committee is authorised to oversee specified projects by the Board when appropriate. The Group CEO chairs the Committee, and it includes the Group Chief Financial Officer and the Group Company Secretary.

Corporate governance cont.

Conflicts of interest, independence, and external appointments

The Company has procedures in place for managing conflicts of interest, including situational conflicts of interest. Potential situational conflicts of interest are identified prior to appointment and the Board will consider and authorise these if appropriate. If a conflict of interest has been identified and approved, the Group Company Secretary ensures that the Director in question is absented from relevant discussions and/or decision making. Should an existing Director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Company, they should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update the Board on any changes to these conflicts.

The Chair was considered to be independent on appointment. As set out in the 2025 Notice of AGM, David Gosnell has been proposed for re-election as a Director and Chair, notwithstanding that he has been a Director for ten years. You can read more about this in the Nomination Committee report on page 85. There are currently nine Directors of the Company: the Chair, the Senior Independent Director, five other Independent Non-Executive Directors and two Executive Directors. The Board considers that all its Non-Executive Directors continue to demonstrate independence and maintain constructive and challenging debate in the Boardroom.

During the course of the year, Board members continued to inform the Chair of any proposed new external appointments, and these were considered and approved by the Board, including consideration of any potential conflicts. The Group Company Secretary maintains a register of Interests and Conflicts to track the commitments of the Directors and ensure these are in line with overboarding guidance. The Board is satisfied that the external commitments of its Chair and members do not conflict with their duties as Directors of the Company and that any situational conflicts have been authorised in line with the process set out in the Company's Articles of Association.

Articles of Association

The Articles of Association set out the rules agreed between shareholders as to how the Company is run, including the powers and responsibilities of the Directors.

Coats' Articles of Association were approved for adoption at the 2021 AGM, and the Company considers that these reflect best practice and current legal and governance standards.

Service contracts

The Company maintains the terms of appointment of the Chair and Non-Executive Directors to ensure that they continue to meet the requirements of the Code. Details of the Executive Directors' service contracts and the Chair's and the Non-Executive Directors' letters of appointment are set out in the Directors' Remuneration Report on page 95. These documents are available for inspection at the registered office of the Company during normal business hours and at the AGM venue. These documents were reviewed during 2024 and will continue to be reviewed regularly.

Committee terms of reference

The Board is assisted by four Board Committees to which it delegates matters as appropriate.

Each Committee has full terms of reference that are reviewed annually and have been approved by the Board and which can be found on our website at **www.coats.com/en/ About/ Corporate-Governance/Board-Committees**.

Directors indemnities

The Company maintains Directors' and Officers' liability insurance, which provides appropriate cover for any legal actions brought against its Directors.

Each Director has been granted indemnities in respect of potential liabilities that may be incurred as a result of their position as an officer of the Company. A Director will not be covered by the insurance or the indemnity in the event that they have been proven to have acted dishonestly or fraudulently.

Delegated authorities

The Coats Delegated Authorities policy is an internal document that sets out the delegations below Board level. It is reviewed and approved annually. It provides a structured framework to ensure the correct level of scrutiny of various decisions covering matters including contracts, capital expenditure, tax, treasury and human resourcing decisions.

SPOTLIGHT ON...

BOARD VISIT TO CHINA

The visit took place in October 2024 as part of the annual Board away week. The Board visited our factories in Shenzhen and Dongguan, and considered the developments in local operations including touring the new Footwear technical labs in Weiheng and Shilong.

While in China the Board conducted in-depth reviews of current local strategies, operations and technology. The Board received briefings from external advisors on the Chinese market including the macro environment, customers, suppliers, industry dynamics and consumer trends. There was also a tour of a local customer's operations.

The Board visit coincided with the 20th-anniversary celebration of the Coats Shenzhen factory's opening and the Board joined the celebrations with local employees. David Paja led a 'Town Hall' with colleagues from Shenzhen, Qingdao, Shanghai, Hong Kong, Korea, and Japan attending.

The trip was inspiring for both the Board and the local employees, exciting everyone about the future opportunities for Coats in China.

Corporate governance cont.

THE BOARD AND CULTURE

The Board assesses and monitors our inclusive culture to ensure it supports the delivery of our strategy and our long-term sustainable success, generating value for shareholders, whilst being characterised by our values and guided by our purpose.

How the Board monitored culture in 2024

- **Site visits and employee events –** Directors are encouraged to visit the group's offices and operations in different regions so that they can get a better understanding of the business and interact with the workforce. In 2024, Board visits included:
  - the Board trip to China (see page 73), which included tours of several of our factories/operations and participation in employee events.
  - the Global Leadership Conference, at which Directors that attended had the opportunity to visit operations and discuss local and Group strategic and cultural issues with management and the members of the workforce.
  - additional site visits by Directors, including the Group CEO and the Group Chief Financial Officer, to Indonesia and the US.
  - Designated Non-Executive Director for Workforce Engagement visits and calls (see right).
- **Employee engagement survey and Great Place To Work® feedback –** The Board receives reports from the Chief HR Officer on the results of the global annual 'Your Voice Matters' survey and on the insights from our work with Great Place To Work®, including levels of engagement, employee perceptions, and any themes raised. The results also give visibility of areas on which management must continue to focus on a global and local basis. (read more about our results on pages 24 and 40).
- **Information reported and discussed at Board, Committee and strategy meetings –** The Board reviews key metrics relating to health and safety (including the outcomes of investigation reports where relevant), DEI, Great Place To Work® certification and sustainability at every meeting. There are also regular updates on progress relating to the Group's employee development/ succession planning and DEI-related internal initiatives (e.g. Coats for All and Coats for Her). The insights from supplier audits, and cultural impacts resulting from the outcomes agreed, are considered at the Audit and Risk Committee (read more from page 77). Divisional updates are provided on relevant strategic, talent, cultural and risk-related matters at least annually to the Board and, where relevant, its Committees to further assist the assessment of culture at a Group level.
- **Whistleblowing (reporting of concerns) –** Regular reports are provided to the Board and the Audit and Risk Committee, providing information and data on reported allegations of Group policies, including those received through our confidential and externally hosted whistleblowing service. These reports also include analyses of trends, investigation status reports and closure rates, and summaries of actions taken. This information enables the Board to identify common issues and assess how embedded our purpose, values and culture are across our business.
- **Policies and ways of working* –** The Board and its Committees regularly review and approve key employee policies to ensure that they appropriately capture and reflect the Group's values and culture. All employees, including the Board, are required to complete online training on key policies. These training programmes are regularly refreshed and are available in multiple languages. As new policies are developed, appropriate training is provided to all employees. The Board also annually considers and approves the statement required in accordance with the UK Modern Slavery Act 2010.

* As set out in Group's Human Rights Statement (available on our website) and in our Sustainability Report, we support the United Nations Guiding Principles on Business and Human Rights in all our operations. Underpinned by our global policies, we uphold the requirements of the United Nations Declaration of Human Rights and the Convention on the Rights of the Child, the core International Labour Organisation Conventions and The Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. We uphold the aims of the California Transparency in Supply Chains Act of 2010.

Fran Philip, Designated Non-Executive Director for Workforce Engagement (since March 2019)

During 2024, Fran held nine listening sessions engaging with workers from various functions and organisational levels across geographies. Sessions took place both virtually and face to face. Fran also met with members of each division's leadership team to identify any new themes, and get a top-down view of local issues. Fran continued to co-host the Group's DEI calls, held twice a year, that are attended by workers around the world.

Fran, and those that have attended the various sessions, have valued the open and collaborative nature of the forums and the opportunity to gather insights on a variety of key areas.

Central themes emerging from Fran's sessions during 2024 include pride and appreciation of the: Group's culture, particularly the commitment to 'Doing the Right Thing'; continued focus on sustainability; and our Coats Cares initiatives. Various sessions included discussion of diversity and talent development programmes within the Group, with employees citing their desire to see the continuation of these areas to provide further opportunities in 2025 and beyond. Employees also noted the impact of remuneration due to continued inflation in certain geographies.

Fran provided scheduled feedback at the July and December Board meetings. Additionally, she shared real time insights gained from the workforce at both Board and Committee meetings throughout the year.

Fran's role and feedback provide a critical form of engagement to help further inform the Board's view and understanding of how the desired culture desired culture, ways of working and values are embedded throughout different sites and markets.

Corporate governance cont.

GOVERNANCE AT A GLANCE

Board profiles:

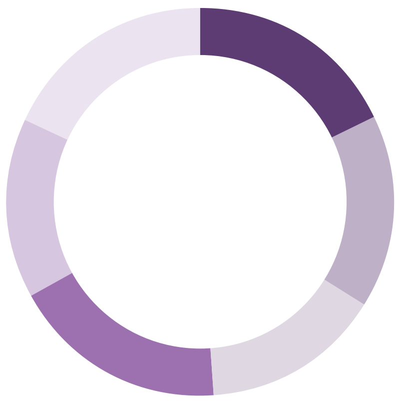
Length of service – Directors

- 0–3 years 45%
- 3–6 years 22%
- 6–9 years 33%

Length of service – Non-Executive Directors

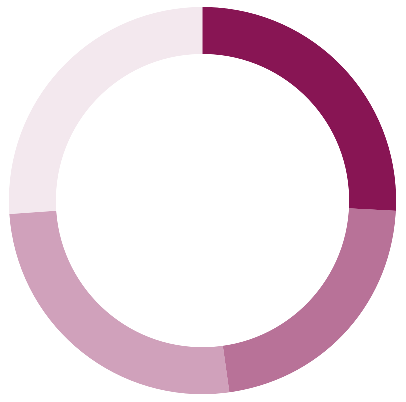
- 0–3 years 43%
- 3–6 years 14%
- 6–9 years 43%

Relevant Functional Experience



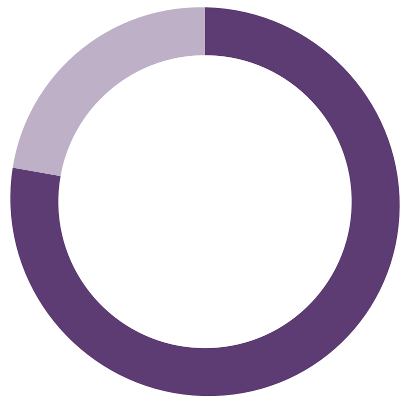
- People 18%
- Legal 16%
- Risk 15%
- Finance 18%
- Technology/Digital 15%
- Customer 18%

Geographic Expertise



- Global Business Experience 26%
- US Market Experience 22%
- European Market Experience 26%
- Asia Market Experience 26%

Ethnic Diversity



- White British or other White (including minority-white groups) 78%
- Asian/Asian British 22%
- Mixed/Multiple Ethnic Groups 0%
- Black/African/Caribbean/Black British 0%
- Other ethnic group, including Arab 0%
- Not specified/prefer not to say 0%

Gender Diversity

- Men 56%
- Women 44%
- Not specified/prefer not to say 0%

Board and Committee attendance

The Directors' attendance record at the last AGM, scheduled Board meetings and Board Committee meetings regularly attended by Non-Executive Directors, for the year ended 31 December 2024 is set out in the table below. For Board and Committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

During the year, the Board held nine scheduled meetings. All Directors received papers for meetings in advance. The Board continued to meet in person for the majority of meetings held during the year but utilised technology to hold hybrid or fully virtual meetings when it was appropriate to do so, mindful of the environmental and efficiency benefits.

The Board attended the annual strategy day in September 2024 and discussed a variety of topics relating to current business priorities.

During October 2024, the Board visited several of the Groups operations in China as part of the annual away week. Further details about this trip are set out on page 73. In January 2025, a number of the Directors joined the Global Leadership Conference held in Vietnam. During the course of the event, the Directors toured local facilities and engaged with colleagues during the various sessions which covered strategic matters. You can read more about the Board's engagement with stakeholders on pages 44 to 46.

In addition to the scheduled meetings, the Senior Independent Director and the Non-Executive Directors meet once a year without the Chair present in order to appraise his performance. This process was led by Steve Murray in 2024.

The Chair and the Non-Executive Directors also periodically attend sessions without management present to discuss, amongst other things, the performance of key members of management.

	Board	Audit and Risk	Nomination[6]	Remuneration	Sustainability	AGM
David Gosnell	9/9		7/7		2/2	1/1
Rajiv Sharma[2]	7/7				1/1	1/1
David Paja[3]	4/4				1/1	
Jackie Callaway	9/9					1/1
Nicholas Bull[1]	4/4	4/4	5/5	3/3	1/1	1/1
Sarah Highfield	9/9	6/6	7/7		2/2	1/1
Echo Lu	9/9		7/7	5/5		1/1
Steve Murray	9/9	6/6	7/7	5/5		1/1
Srinivas Phatak[4]	3/4[4]	1/1	2/2			
Fran Philip	9/9		6/7[5]	5/5	2/2	1/1
Jakob Sigurdsson	9/9	6/6	7/7			1/1

1. Nicholas Bull stepped down from the Board on 22 May 2024.
2. Rajiv Sharma stepped down from the Board as mutually agreed to facilitate an orderly succession process on 30 September 2024.
3. David Paja was appointed to the Board on 1 September 2024.
4. Srinivas Phatak was appointed to the Board on 1 September 2024. Srinivas was unable to attend the Board call held on 19 November 2024 due to a longstanding commitment that existed prior to his appointment to the Board. Srinivas had been involved in all previous discussions regarding the business of the meeting and discussed the outcomes of the call with the Chair.
5. Fran Philip was unable to attend the Nomination Committee call held on 8 November 2024, due to a long-standing pre-existing commitment that existed prior to scheduling of the meeting and could not be rearranged. Fran had been involved in all previous discussions regarding the business of the meeting and discussed the outcomes of the call with the Chair.
6. Certain Nomination Committee discussions were conducted as part of scheduled Board meetings.

Corporate governance cont.

Board effectiveness improvements implemented during 2024

The Board progressed the agreed action plan in relation to the feedback received as part of the 2023 internal effectiveness review and a summary is set out below:

Actions taken in 2024 as a result of previous evaluation feedback

Enhanced focus on oversight of technology (including AI)	– Two deep dives into cyber security and full Board participation in a cyber attack simulation and GIA review of cyber security tools undertaken. – AI-related updates provided as part of management reporting at Board meetings, particularly as part of divisional deep dives and at the presentations at the Board trip to China. – Annual strategy day considered technological developments in the industry.
Further focus on changing customer needs and expectations	– Customer trends considered as part of divisional deep dives presented to the Board throughout the year. – Industry developments and trends considered as part of annual strategy day agenda and in relation to market specific presentations on China, India and Indonesia provided during the year. – Updates provided in relation to Coats' technology including ShopCoats, TechConnect and Coats Digital.
Continued focus on executive succession planning	– Numerous discussions on Board, GET and below GET talent/development and succession plans presented to the GET, Nomination Committee and Board by the Chief HR Officer. – Divisional deep dives presented to the Board and Audit and Risk Committee continued to include summary of talent and diversity. – Tracking of diversity in leadership metrics at every Board meeting.

2024 review of effectiveness

Board evaluation

In line with the Code, this year an internal evaluation of the Board and its Committees was conducted, and an external evaluation will be undertaken in 2025. The internal evaluation process of the Board and its Committees was led by the relevant Chair and utilised a questionnaire that was circulated electronically supplemented with additional feedback where appropriate. The Board and its Committees recognise the value of a full and transparent evaluation of their performance and seek feedback from both Board members and regular Board and Committee meeting attendees.

Review of previous year's evaluation findings and progress help to define the scope for this year's evaluation.

↓

Evaluation undertaken by a combination of quantitative rating scale and open-ended questions on a no-names basis.

↓

Recommendations for the Board and each of the Committees are analysed and discussed, and action plans agreed.

The Board report identified key strengths, including Board dynamics and the balance of strategy/performance/governance-related discussions. Respondents also noted the positive engagement and ways of working with the GET. Action plans and focus areas for 2025, including timelines for delivery, were agreed as set out below and in the relevant Committee reports.

Areas for development and planned for the Board in 2025

Key areas for focus	Actions identified for 2025
Further focus on long-term strategy and strategy articulation	– Additional long-term strategy-related discussions added to 2025 Board planned agenda.
Continued focus on executive succession planning and talent development	– Further review of short and mid-term succession plans for GET scheduled as part of 2025 Board and Nomination Committee planned agenda. – Board oversight of talent development programme to be continued.
Ongoing focus on the detail and length of papers presented to the Board	– Revised guidance to be provided to management. – Group CEO and Group Company Secretary to continue to assess how to further improve focus of Board papers.

Audit and Risk Committee report

Sarah Highfield

(Chair since May 2024)

Member since 2023

Steve Murray

Member since 2022

Srinivas Phatak

Member since 1 September 2024

Jakob Sigurdsson

Member since 2020

Dear Shareholder,

I am pleased to present my first report as the Chair of the Audit and Risk Committee. This report, for the year ended 31 December 2024, sets out how the Committee has discharged the duties delegated to it by the Board, including how it ensured compliance with the relevant regulations and guidance, such as the 2018 UK Corporate Governance Code (2018 Code), as well as setting out the key topics and findings during the year.

A key focus of the Committee in 2024 has been the externally facilitated review of the Group Internal Audit function (GIA). This has ensured that our approach remains appropriately positioned in relation to the market and our peers. Through this review, the Committee also considered the scope and focus of GIA activities and reviewed the short and medium-term audit plans. These plans were developed in conjunction with management to ensure that they were suitably aligned to strategy and business operations, as well as our principal risks and uncertainties. The review also identified the appropriate resourcing model for GIA. You can read further details about the outcomes of the process later in this report.

Following the publication of the 2024 UK Corporate Governance Code (2024 Code) in January 2024, the Committee has dedicated significant time to considering the Company's preparations for the forthcoming requirements, particularly those relating to the need for the Board to identify, monitor and review all material risks and controls in order to make a future declaration as to their effectiveness.

The Committee has continued to monitor the various other developments in the regulatory environment to ensure that the Company is well positioned for incoming requirements.

I am delighted that the Group has now published external limited assurance on its ESG-related data as set out in this Annual Report. This is the culmination of a number of years of work by management and the Committee, and we are confident that our stakeholders will welcome this development in our reporting. During 2024, we have continued to increase the level of governance through on-site reviews of ESG data in selected locations undertaken by GIA.

The Committee reviewed the basis for reporting ESG-related data (available on our website **www.coats.com**) as well as continuing to monitor the progress of external assurance work throughout the year.

Preparatory work took place for the upcoming EU Corporate Sustainability Reporting Directive (CSRD), which was expected to impact Coats from January 2025, and in relation to which we have elected to adopt the reporting requirements at non-EU parent group level. This will bring the entire Coats Group into scope. Following the EU Omnibus update in February 2025, we are waiting for the final conclusions from the EU on when our first reporting year will be.

Our Sustainability function has been working with key internal and external stakeholders on the completion of our Double Materiality Assessment (DMA) which will determine the European Sustainability Reporting Standards under which we will make future disclosures. The DMA will undergo limited assurance once we are clearer on the finalised EU mandates for reporting.

Principal objectives of the Audit and Risk Committee

- To monitor the integrity of the Group's financial reporting processes.
- To ensure the independence and effectiveness of internal and external audit functions.
- To ensure that risks are carefully identified and assessed, and that sound systems of risk management and internal control are in place.

Key responsibilities

- Oversee the accounting principles, policies and practices adopted in the Group's accounts.
- Oversee the external financial reporting and associated announcements.
- Provide advice to the Board on whether the Annual Report and Accounts is fair, balanced and understandable and provides the necessary information to assess the Company's performance, business model and strategy.
- Ensure the adequacy and effectiveness of the internal control environment.
- Monitor the Group's risk management processes and performance.
- Review the resourcing, plans, reports and effectiveness of GIA.
- Oversee the appointment of, and monitoring the performance of, the internal audit partner.
- Conduct a competitive tender process for external audit when required and oversee the appointment, independence, effectiveness and remuneration of the Group's external auditor, including the policy on the supply of non-audit services.
- Ensure the establishment and oversight of fraud prevention arrangements and consider reports under the whistleblowing policy in conjunction with the Board.
- Monitor the Audit and Assurance Policy.
- Review the Group's compliance with the Code.
- Monitor forthcoming regulatory changes.

Audit and Risk Committee report cont.

An independent internal review was also conducted on our TCFD models for determining financial impact of climate related risks and opportunities.

The Committee continued to receive deep dive presentations from each of the Finance Directors of the Apparel, Footwear and Performance Materials divisions relating to internal controls and risk management processes. These help the Committee to consider how effectively risk management is embedded within the business operations and how it is monitored on a day-to-day basis. There has also been a significant focus on the communication of the Group's Supplier Code, including monitoring the outcomes of, and follow-up on actions from, audits of key suppliers.

One of the outcomes of the review of GIA was the creation of a new role in our Supply function to further strengthen our risk management processes in this area. This new role is responsible for driving further consistencies around ethical behaviour across our supply chain, monitoring and escalating any potential breaches in relation to the Group's Supplier Code in accordance with agreed processes and timelines, and incorporating industry best practices, where appropriate, in conjunction with an outsourced verification partner.

The Committee also monitored the progress in relation to, and the accounting treatment of, the Coats UK Pension Scheme buy-in transaction that was agreed in September 2024. This transaction was the final and most significant step in Coats' full insurance of its UK pension obligations.

During the course of 2024, the Financial Reporting Council (FRC) considered certain aspects of EY's audit of our 2023 consolidated financial statements. You can read more about this process in the 'Assessment of audit process' on page 82.

Following nine years' service on the Board and this Committee, Nicholas Bull stepped down at the conclusion of the 2024 AGM at which time I succeeded him as Chair of this Committee.
I was delighted to welcome Srinivas Phatak as a Non-Executive Director and member of this Committee in September 2024. Srinivas brings significant financial expertise to this Committee, continuing to enhance the mix of skills and experience amongst Committee members.

Sarah Highfield,
Chair, Audit and Risk Committee

5 March 2025

Highlights of 2024

- Completion and implementation of review of GIA.
- Preparations for regulatory changes including further evolution of internal controls environment.
- Publication of external limited assurance of ESG-related data.

Areas of focus for 2025

- Continue preparations for 2024 Code changes including documenting controls and testing procedures.
- Continue preparations for CSRD disclosures.
- Continue focus on Cyber and IT risk and governance, as well as ESG.
- Support transition of Group Chief Financial Officer.

Membership and meetings

The members of the Committee are independent Non-Executive Directors. During the year, the Committee met five times and held one additional call, and all members of the Committee attended the maximum number of meetings possible. Further details of individual Directors' attendance can be found on page 75. The Committee met privately with the external auditor and with GIA. To enable robust and timely discussion, the Group Chief Financial Officer, the Chief Legal & Risk Officer and Group Company Secretary, the Group Financial Controller, the Senior Financial Reporting Manager, the Head of GIA, divisional CEOs, divisional Finance Directors and the external auditor attended parts of Committee meetings by invitation. The Group Chair and Group CEO also attended meetings when appropriate. The Deputy Company Secretary acts as Secretary to the Committee. The Chair of the Committee holds regular meetings with both internal and external auditors, and each has an opportunity to discuss matters with the Committee without management being present.

'Financial expert', recent and relevant financial experience

The Board has confirmed that it is satisfied that the Committee possesses an appropriate level of independence and depth of financial and commercial, including sectoral, expertise.

For the purposes of the 2018 Code, in respect of the financial year ended 31 December 2024, Nicholas Bull, Sarah Highfield and Srinivas Phatak were the members of the Committee determined by the Board as having recent and relevant financial experience. You can read more about the skills and experience of the members of the Committee on pages 68 to 70.

Financial reporting, going concern and viability statement

During the year, the Committee reviewed the interim results announcement, including the interim financial statements, the Annual Report and associated preliminary results announcement, focussing on key areas of financial judgement and estimates made by management to ensure it was satisfied with the outcome, critical accounting policies, disclosures (including those relating to contingent liabilities, climate change and principal risks) and provisioning, as well as any changes required in these areas or policies.

Particular focus areas during the year were the accounting treatment of the UK pension buy-in transaction, strategic projects, impairment risk (in particular in the Americas due to trading softness in Performance Materials), and the continued integration of the Footwear business.

The Committee reviewed the updated wording of the Group's longer-term viability statement, set out on page 57. The Committee reviewed the process undertaken to ensure that the model used was consistent with the approved business plan and that the relevant scenario and sensitivity testing aligned clearly with the principal risks of the Group. The Committee challenged the underlying assumptions used and reviewed the results of the detailed work performed. The Committee was satisfied that the analysis supporting the viability statement had been prepared on an appropriate basis.

The Committee also reviewed the going concern statement, set out on page 107 and confirmed its satisfaction with the methodology including the appropriateness of sensitivity testing.

The Committee continues to focus on both the basis of preparation of the going concern and viability analysis as well as the external disclosures, to ensure they are prepared in line with current FRC guidance.

Audit and Risk Committee report cont.

Fair, balanced and understandable

As part of its review of the Company's Annual Report and associated disclosures, the Committee has considered whether this report is 'fair, balanced and understandable' and provides the information necessary for shareholders and other stakeholders to assess the Company's position, performance, business model and strategy, as required by the 2018 Code.

The Committee used the established assurance processes to ensure its input was appropriately timed, including providing feedback on the planning process, and considering the reviews taken by external advisors. The Committee received a full draft of the Annual Report and provided feedback on it, highlighting the areas that would benefit from further clarity or balance, and this feedback was appropriately incorporated. In this respect the Committee focussed on ensuring consistency and completeness in non-financial reporting, including ESG and TCFD reporting, principal risks and uncertainties and reviewing the use of alternative performance measures and their appropriateness in aiding users of our financial statements to understand better our performance year-on-year.

On this basis, the Committee recommended to the Board that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

Significant issues relating to the financial statements

The Committee considered the following issues relating to the financial statements during the year. These include the matters relating to risks disclosed in the external auditor's report:

Issue	Review and conclusion
Exceptional and acquisition-related items	In 2024, exceptional and acquisition-related items of $69.8 million have been recorded in operating profit; the disclosures in note 4 to the financial statements provide further details. The Committee assessed management's judgements, took into account the views of the external auditor and concluded that the accounting treatment was appropriate given the one-off nature of the events.
Pension matters – valuation of obligations and buy-in accounting	At 31 December 2024 the Group's Pension deficit calculated under IAS19 was $42.4 million (including $38.3 million loan due to the company from the UK scheme). The UK surplus is significantly reduced following the buy-in transaction that completed during the year, and which in due course resulted in an actuarial loss of $224.9 million in the statement of other comprehensive income. The Committee reviewed the underlying assumptions, including those relating to the UK scheme buy-in transaction that was agreed with PIC in September 2024 to insure the remaining 80% of uninsured pension liabilities, which were also agreed with Coats' external advisors and auditors. Note 10 to the financial statements sets out these assumptions and, also provides further details on the UK scheme buy-in transaction. The Committee is satisfied that the overall Group Pension deficit on the balance sheet has been appropriately recognised.
US legacy environment provision	The Group has recognised a provision of $11.2 million in respect of remediation and legal/professional costs for the Lower Passaic River. The Committee considered management's position on the accounting and disclosure implications surrounding this environmental case, taking into account advice received from external counsel Sive Paget & Riesel P.C. Following the delivery of the US Environmental Protection Agency's Record of Decision in March 2016, the Committee has continued to review whether subsequent events, including those impacting other parties considered to be responsible for the most significant contamination in the river, have triggered the requirement to remeasure the level of remediation provisioning previously established. The Committee is satisfied that there is no requirement to remeasure the remediation provision at 31 December 2024 and that the disclosures provided in note 28 to the financial statements are appropriate.
Taxation	The Group operates in numerous jurisdictions around the world, with different regulations applying in different territories. This complexity, together with intra-Group cross-border transactions, give rise to inherent risks including the risk of challenge by national tax authorities. In addition to reviewing the Group's adjusted effective tax rate, which remained at 29% in the current year, the Committee also considered the Group's uncertain tax provisions and deferred tax assets, which amount in total to $26.0 million and $13.6 million respectively. The Committee is satisfied with the approach and disclosures adopted by management as reflected in the financial statements in note 9 to the financial statements.

The Committee also received regular updates on provisions made for litigation and tax matters and the Committee considered the appropriateness of the methodology applied.

Audit and Risk Committee report cont.

Internal control and risk management

The Board is responsible for the Group's risk management framework and for defining its risk appetite. During 2024, the Committee continued to keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems, and the effectiveness of the Group's risk management system, through regular updates from management. This included a review of the key findings presented by the external and internal auditors having agreed the scope, mandate and review schedule in advance. The principal risks and uncertainties facing the Company are addressed in the Strategic Report and in the table on pages 50 to 56 in this Annual Report.

The Committee continued to conduct deep dives into the financial control and risk framework of each division. The relevant divisional Finance Director provided: an overview of their part of the business; insights into the structure of their finance team, including metrics relating to diversity and tenure, and a talent review. There was also an analysis of the division's approach to embedding and monitoring internal controls and risk management. These were accompanied by a summary of the assurance processes currently in place in the division. The divisional Finance Directors also reported on the implementation of previously outlined plans relating to the further development of the internal controls environment and opportunities for further automation. There was also an update regarding future plans.

The Committee undertook its annual review of ESG reporting and disclosures, including consideration of the TCFD disclosures.

This was in addition to the various updates provided to allow the correct oversight of the journey to external limited assurance of ESG-related data in this Annual Report.

A key focus has been the preparation for the requirements of the 2024 Code and the Committee has received updates at each of its meetings in 2024 to allow appropriate oversight of the approach and progress in this area. The Committee has provided input on the scope, timing and planned activities to ensure it will be appropriately positioned to make the required effectiveness declarations in due course. This has included working with external consultants to ensure that we are responding to the 2024 Code requirements appropriately, and in line with industry practice.

Whilst leveraging existing risk frameworks, management has performed wide stakeholder consultation to further analyse and identify material risks for the business, and has a detailed roadmap in place to deliver the required declarations in line with the timings of the 2024 Code requirements. The Committee discussed instances where there was opportunity for enhanced controls during the year with updates being provided when required.

In particular, during 2024 the Committee conducted a further deep dive into supplier payments and there were periodic updates on Group Supplier Code compliance and on sanctions documentation and training. There were also reviews of cyber security tools and Data Protection processes, as well as procure to pay processes. Reviews of business areas are presented in line with the GIA plan, and these are appropriately scheduled to align with business priorities to ensure the timely identification of any internal control compliance-related issues. Remediation plans continue to be closely monitored on an ongoing basis.

Fundamental components of the Company's internal control and risk management framework include:

- management structure supported by clear approval limits and delegated authorities;
- appropriately drafted and communicated policies, procedures, and guidance to support business operations;
- a thorough and co-ordinated annual planning process and strategy review, combined with comprehensive financial forecasting, reporting, and budgeting;
- embedded tools and technology such as SAP and Concur;
- a well-established sign off system in relation to financial reporting and other business matters;
- appropriate post-acquisition integration activities to ensure adherence to Group standards;
- GIA activities and investigations; and
- an externally operated whistleblowing helpline and robust process to allow anonymous reporting and suitable investigations.

In addition to the divisional risk and control deep-dives, a Group-wide assessment of internal controls over financial reporting was presented, which included analytical reviews of balance sheets conducted in the business, deep dives into key financial risks and judgements and a review of the timeliness of previous GIA follow-up actions.

The annual review of the effectiveness of the Company's risk management and internal control systems covering all material controls was conducted, including operational, compliance and fraud-related controls. Following the robust assurance process, the Committee was satisfied that these systems operate effectively in all material respects with no significant weaknesses identified and others remediated appropriately.

The Committee reviews the minutes of all Group Risk Management Committee meetings and discusses any relevant matters that have arisen with management.

Internal audit

As mentioned earlier in this report, the Committee has devoted significant time to reviewing the strategy of GIA, including agreeing a three year audit plan based on five identified risk domains that align to the Group's principal risks and uncertainties. The Committee, in conjunction with an external facilitator and management, considered resourcing and determined it was appropriate to move to a hybrid model. After a thorough tender process, in which all of the members of the Committee participated, BDO was appointed as the co-source partner.

A new Head of GIA was also appointed, with members of the Committee participating in the recruitment process. The Committee believes that these changes will appropriately align GIA with the current and evolving needs of the business.

Audit and Risk Committee report cont.

The proposed GIA audit plan is presented at the December meeting of the Committee to ensure this is agreed in advance and it is then reviewed at each Committee meeting. Updates are provided on audit coverage and any recommended changes to the schedule of work.

The Committee reviews key findings from GIA reports, receives detailed reports from management where appropriate, and monitors the rate at which actions agreed with management are implemented. GIA presents its annual audit opinion at the February meeting of the Committee. The Head of GIA continues to present to the Committee a semi-annual review of in-country operational risks which are appropriately aligned against the Group's principal risks, which includes a summary of any new risks that have arisen in the period with agreement on appropriate actions and interventions. GIA grades the severity of any findings in their reporting to the Committee, with significant control findings being defined as a material deficiency in the design or implementation of a control. This might include a risk of material misstatement of financial information where controls in operations are largely deficient or where there is a pervasive violation of policies and procedures. No significant control findings were identified during the period.

GIA findings and report ratings and supporting criteria have been revised in the year to be clearer on the level of risks identified so as to support the business in appropriately prioritising actions in response, and to better align to the risk framework. The revised ratings and criteria were agreed by the Committee. The Committee considers the findings of the investigations and will provide a final view on the rating to be assigned to the investigation and communicated to the business.

In 2024, GIA focused on supporting Coats in the achievement of its stated purpose 'to connect talent, textiles and technology to make a better and more sustainable world' by bringing a systematic, disciplined approach to support and promote effective governance, risk management and control processes. To achieve its purpose, GIA has positioned itself as follows:

– Trusted advisor, adding value and being solution driven as a business partner
– Risk-based, focusing on the greatest risks and bringing key insights
– Adopter of technology, including using data analytics and implementing a web-based tool for reporting and action tracking

During the year, GIA activity has been aligned to the Group principal risks and uncertainties, and the plan kept under review and aligned throughout the year. Work at unit level has been prioritised on a risk basis, focussed on our key markets. The majority of reviews were conducted onsite and were aligned to the Key Control Framework controls and test activities. A "guest auditor" from the business resourcing model was implemented to provide independent peer review and development opportunities.

GIA has strived to make its ways of working more transparent and facilitated more "live" feedback of potential issues, enabling faster resolution and remediation from the business. A more robust and disciplined approach to planning and delivery has been implemented, supporting a more effective auditing approach and reducing the disruption to the business.

Engagement of BDO as a co-source partner to GIA has brought further capabilities to the team and the business, most notably in Digital and Technology and sustainability, as well as the ability for GIA to bring wider insights to the business.

GIA presented the outcomes of its reviews of the Group's cyber security tools and data protection governance to the Committee. There were also appropriate updates on items that had arisen as key themes in previous years including HR controls compliance in markets and Group Supplier Code compliance.

The Committee has continued to monitor and review the Company's Audit and Assurance Policy, which is available on the Company's website (**www.coats.com**), to ensure that this keeps pace with internal and external developments, noting the changes that had occurred in the associated regulatory environment in particular as result of the release of the updated Corporate Governance Code in January 2024. The Committee anticipates that this policy statement will continue to evolve and provide further opportunities for engagement.

External audit

Independence

The Committee is responsible for reviewing the independence and objectivity of the Company's external auditor, Ernst & Young LLP, agreeing the terms of engagement with them and the scope of their audit. Ernst & Young LLP has a policy of partner rotation, which complies with regulatory standards, and, in addition, has a structure of peer reviews for its engagements, which are aimed at ensuring that its independence is maintained. Maintaining an independent relationship with the Company's external auditor is a critical part of assessing the effectiveness of the audit process. The Committee annually reviews the policy on non-audit fees to ensure it complies with latest FRC Ethical Standards.

The Committee also reviewed the level of audit and non-audit fees paid to EY. The key principles of the policy on non-audit services are:

– The auditor is prohibited from providing any services that are not included in the list of permitted non-audit services. Permitted services include audit related services such as reviews of interim financial information or any other review of accounts required by law to be provided by the auditor.
– Any service that is included on the list of permitted non-audit services, if in excess of $150,000, requires the approval of the Committee.

During 2024, the external auditor provided non-audit services primarily in relation to the Group's interim results and ESG assurance. The external auditor has confirmed to the Committee that they did not provide any prohibited services and that they have not undertaken any work that could lead to their objectivity and independence being compromised.

The non-audit fees in relation to the services supplied by the external auditor can be found in note 5 of the financial statements. Non-audit fees presented as a percentage of total audit fees is 13%.

The lead partner is rotated every five years. Anup Sodhi was appointed as the lead audit engagement partner in 2023.

The Group is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Audit tender

The Company conducted a competitive tender process for the Group's external auditor during 2022. Ernst & Young LLP was re-appointed as the Company's auditor for the year ending 31 December 2024 at the 2024 Annual General Meeting of the Company. No members of the Committee have any connection with the current auditors.

Audit and Risk Committee report cont.

Assessment of audit process

The scope of the external audit is formally documented by the auditor. They discuss the draft proposal with management before it is referred to the Committee which reviews its adequacy and holds further discussions with management and the auditor before final approval.

During the year under review, the Audit Quality Review team of the FRC considered certain aspects of EY's audit of the Company's 2023 consolidated financial statements. Having received a full copy of the report, the Committee was pleased to note that no key findings arose from the review, with only two areas identified for limited improvement. These areas have been discussed with EY and the Committee is satisfied that they were addressed appropriately.

In respect of the year under review, the Committee conducted an assessment of the performance and effectiveness of the external auditor. This assessment was undertaken by way of a questionnaire-based internal review which was completed by regular attendees to the Committee and those Coats colleagues globally who interact most frequently with the external auditor. Feedback was also provided by Committee members. The items pertaining to the review of the external auditor, as listed in the FRC's 'Audit Committee and the External Audit: Minimum Standard' and the 2018 Code, were included in the review. The questionnaire covered topics such as the robustness of the audit, and the quality of delivery, reporting and service as well as covering areas such as consideration of the auditor's culture and mindset including free form questions to allow consideration of any other points that respondents wished to raise. The Committee appropriately assessed the auditor's view of the risks to audit quality, performance against the audit plan and also considered the FRC's annual report on the auditor. The summary of the results of the questionnaire has been reviewed by the Committee and appropriate feedback has been shared with the external auditor.

Assessment of the effectiveness of the Committee

The Committee's effectiveness in respect of the year ended 31 December 2024 was evaluated by way of a questionnaire-based internal review. Respondents included Committee members, regular attendees and the external auditor. The Committee considered the findings of the process in relation to both the Committee and GIA at its December meeting, as well as considering whether the feedback identified in the previous year's assessment had been adequately addressed.

The 2024 evaluation indicated that the Committee was working effectively and identified opportunities for the 2025 Committee work plan, which have been appropriately included.

Signed on behalf of the Audit and Risk Committee by:

Sarah Highfield,
Chair, Audit and Risk Committee

5 March 2025

Areas of focus in 2024			Key stakeholders
Corporate reporting	– Half and full year external reporting – Interim and preliminary results announcements – Annual Report and consolidated financial statements	– Review of tax and statutory filing status – Reporting and external limited assurance of ESG data	SHAREHOLDERS
Internal controls	– Completion and implementation of review of the GIA function – GIA updates – Semi-annual review of internal financial controls – Monitoring agreed actions status	– Deep dives into Apparel, Footwear and Performance Materials divisions risk management and internal controls – Review of updates to regulatory reform to ensure appropriate internal preparation	EMPLOYEES SHAREHOLDERS
Risk management	– Litigation, cyber tools, suppliers, PTP processes and tax risk reviews – Bi-annual risk review including environmental compliance – Horizon scanning for changes to regulatory environment for audit	– Sanctions update including review of Company's ways of working to ensure compliance – Monitoring of refresh of Group's Supplier Code, including internal and external training and compliance updates – Review of Supplier payment terms	CUSTOMERS EMPLOYEES ENVIRONMENT SHAREHOLDERS SUPPLIERS
External audit	– Report on external audit at half and full year – Insights and observations on reporting review – Auditor independence and non-audit work reviews	– Review of management representation letters – Review of fees of external auditor – Review of the effectiveness of the external auditor	CUSTOMERS EMPLOYEES SHAREHOLDERS SUPPLIERS

Nomination Committee report

David Gosnell

(Chair since November 2020)
Member since 2015

Sarah Highfield
Member since 2023

Echo Lu
Member since 2017

Steve Murray
Member since 2022

Srinivas Phatak
Member since 1 September 2024

Fran Philip
Member since 2016

Jakob Sigurdsson
Member since 2020

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2024.

This has been an unusually busy year for the Committee. As set out elsewhere in this Annual Report, a principal activity in 2024 was the succession process which culminated in the announcement in May 2024 of the appointment of David Paja as Group CEO. David joined the Board as an Executive Director on 1 September 2024 and succeeded Rajiv Sharma as Group CEO on 1 October, when Rajiv stepped down from the Board as part of a mutually agreed succession process. Additionally, in August 2024, we announced the appointment of Srinivas Phatak as a Non-Executive Director and member of the Audit and Risk and Nomination Committees. Finally, on 7 January 2025, we announced that Hannah Nichols would join the Board as an Executive Director and Group Chief Financial Officer designate to succeed Jackie Callaway as Group Chief Financial Officer at the conclusion of our 2025 AGM, as part of a mutually agreed succession process. I was delighted to welcome both David and Srinivas to Coats and I look forward to welcoming Hannah in due course. Their appointments are the result of significant work by the Committee, management and our advisors.

Following Nicholas Bull stepping down from the Board at the 2024 AGM after serving for nine years, the succession plans for the key Board roles that Nicholas held were successfully implemented as detailed in the last report of this Committee. Steve Murray now acts as our Senior Independent Director and Sarah Highfield is the Chair of the Audit and Risk Committee.

In light of these notable changes to the Board and the recent period of significant transformation of the Group, and consistent with the succession plan that was set out in last year's Annual Report and the resolution passed at the 2024 AGM, the Board is proposing that my term of appointment as Chair continues for a further two years. You can read more details about this process, including the processes being led by the Senior Independent Director to identify my successor, later in this report.

In conjunction with the processes set out above, the Committee also reviewed the succession plans for members of the GET and reviewed talent development plans for key below-GET level employees.

Committee membership and meetings

The members of the Committee comprise independent Non-Executive Directors only. No Executive Directors are appointed to the Committee; however, they may attend by invitation if the matters to be discussed require their participation. You can read more about the skills, tenure and experience of the members of the Committee on pages 68 to 70.

During the year, the Committee met seven times in separately scheduled meetings, with further discussions taking place as required and as part of scheduled Board meetings. All Committee members attended the maximum number of regularly scheduled meetings that they were eligible to attend. However, in light of the number of meetings held this year and noting that some of these were convened at relatively short notice to facilitate timely decision making, some Committee members were not able to attend all meetings. In these circumstances, those Committee members provided their input in advance of the meeting and the Chair discussed the outcomes of the meetings with the relevant member shortly thereafter. Further details of individual Directors' attendance can be found on page 75.

Principal objectives of the Nomination Committee

- To make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.
- Oversight of the diversity and inclusion-related elements of ESG.

Key responsibilities

- Ensuring the appropriate composition of the Board and its Committees, and overseeing a rigorous and transparent procedure for appointments to the Board.
- Maintaining ongoing succession plans for the Board and GET, and reviewing the leadership needs of the organisation.
- Ensuring diversity in the pipeline for senior management roles.

Highlights of 2024

- Implementation of succession of Group CEO and Group Chief Financial Officer, and ongoing Non-Executive Director succession.
- In-depth review of GET succession plans.
- Further development of skills matrix.

Areas of focus for 2025

- Group Chief Financial Officer transition.
- Continued focus on executive succession planning and talent development.

Nomination Committee report cont.

Board and Committee changes and appointment processes

As set out in my introduction, the Committee has overseen a number of appointment processes during the period under review. In relation to the comprehensive selection processes that culminated in the appointment of David Paja as Group CEO, and Hannah Nichols as Group Chief Financial Officer designate, professional search agencies were appointed in accordance with the Company's procurement policy based on their expertise. Russell Reynolds was engaged in relation to the Group CEO search and Egon Zehnder was engaged in relation to the Group Chief Financial Officer search. Neither agency had any connection to the Company or to the Board.

In both appointment processes, a diverse longlist of candidates was prepared and carefully considered to identify the shortlist of candidates that would proceed to the interview panel and assessment. During the course of a number of meetings, the Committee considered the results of externally facilitated executive leadership assessments together with the feedback provided by the interview panel.

David Paja was ultimately identified as the preferred candidate as Group CEO due to his proven experience in driving growth and highly relevant expertise gained in related industries. You can read more about David Paja's induction on the following pages of this report.

In January 2025, it was announced that Hannah Nichols had been appointed as the Company's next Group Chief Financial Officer due to her extensive financial expertise, considerable international experience and track record of driving transformational change.

As a result of Nicholas Bull's departure from the Board, the Committee determined that it would be helpful to identify an additional Non-Executive Director with extensive professional financial expertise, in addition to Sarah Highfield, as a result of a review of the skills matrix. The recruitment process for the appointment of Srinivas Phatak in 2024 included agreeing the criteria for the candidate profile and the most appropriate interview panel to lead the process. Inzito was engaged to create a comprehensive and diverse longlist of candidates for the role. The shortlisted candidates were then interviewed, and the appropriate due diligence was undertaken to ensure the appropriate fit with the requirements including consideration of their skillset and experience, their ability to contribute across the requisite range of Board topics, whether their appointment was in line with the Board's diversity aims and whether they could meet the expected time commitment. Recommendations were then made to the Board.

Any new Directors are appointed by the Board and, in accordance with the Company's articles of association, they must be elected at the next AGM to continue in office. All existing Directors stand for re-election every year. This year, all Directors, with the exception of Jackie Callaway, who is not standing for re-election, will submit themselves for re-election or election at the AGM.

The announced succession plans for the roles of Senior Independent Director and Chair of the Audit and Risk Committee, also triggered by the planned retirement of Nicholas Bull at the 2024 AGM, were implemented. Sarah Highfield also joined the Sustainability Committee on 1 January 2024, at the same time as the three divisional CEOs and the Group Sustainability Director joined.

Induction

Following their appointments in 2024, both David Paja and Srinivas Phatak took part in comprehensive and tailored induction programmes. David Paja has visited 25 of our sites representing 90% of Coats revenue, allowing him to truly understand the business and to engage with employees and key customers. He has also engaged with other key stakeholders through results presentations, investor roadshows and in separately arranged sessions. The Committee is delighted with the smooth transition of the Group CEO.

Effectiveness
- Training on ethics and other governance topics
- Briefed on outcomes of most recent effectiveness review

Leadership
- Meeting senior executives
- Site visits

Accountability
- Information on the Group budget and strategy
- Last Annual Report

Relations with stakeholders
- Meeting with employees during site visits
- Meeting with key customers

In line with our usual process, Srinivas Phatak received training on his Directors' duties, and his obligations in relation to serving on the Board of a listed company. Srinivas met with each Board member, received deep dive sessions on each of the divisions presented by the relevant leadership team as well as in-depth presentations on sustainability and Group Finance, and he has also met with relevant external advisors (such as our brokers and our auditors). Our induction programme ensures that Directors are appropriately briefed on current Board topic areas, the Group's strategy, purpose, culture and structure, our stakeholders as well as our operations and the wider industry.

Succession planning, talent and skills review

The Committee, on behalf of the Board, regularly assesses the composition of the Board and its Committees in terms of skills, experience, diversity and capacity.

The Board tenure tracker is regularly presented to ensure that discussions are held well in advance of planned departures, to allow appropriate skills gap identification and timely succession.

The Committee uses the Board skills matrix to provide a detailed and transparent assessment of the current skill set on the Board and identify any training needs or skills/experience gaps on the Board. The Board continues to undertake all regular training required for Group employees and also received in-depth cyber-security training, including participating in a simulation exercise that was facilitated by a variety of internal and external experts.

The Committee held several detailed sessions considering the succession plans for the GET and the talent available below GET level. Management provided an overview of the talent development plans for those talent pools.

In making recommendations for the annual re-election of the Chair and Non-Executive Directors, the Committee considers the skills, knowledge, experience, independence and the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business. The Non-Executive Directors are considered independent. On appointment to the Board, the Chair was considered independent in accordance with the terms of the 2018 UK Corporate Governance Code.

Nomination Committee report cont.

When reviewing the wider composition of the Board and GET, the Committee considered the various aspects of DEI, ensuring the desired culture of the Group is maintained, and also reviewed the required skills profile for the Group.

Diversity

The Board recognises the many benefits of building a diverse leadership team and the charts on page 75 set out the gender and ethnic background, as well as diversity of experience, of the Board. The Board believes that embracing diversity, in all its forms, promotes inclusivity and supports good decision making by the Board.

Our Board Diversity Policy, which is available at **www.coats.com**, was updated in 2022 to reflect the targets set by the FTSE Women Leaders Review on gender diversity. Our workforce diversity policy is included in our Coats Key People Principles, which set out the range of policies in place to ensure fair and equitable treatment of our diverse workforce. The diversity section includes the same definitions and references as our Board policy and aims to promote an inclusive working environment. You can access our Coats Key People Principles on our website (**www.coats.com/en/Download-Centre**).

We are now a number of years into our internal diversity programmes Coats for All and Coats for Her, and the Board and the Committee have continued to monitor the initiatives and outcomes regularly to ensure the Company is tracking appropriately against our ambitious internal targets. You can read more about this in the People and Culture section of this report on pages 23 to 24.

The Committee is pleased to report that during the year ended 31 December 2024 and up to the date of this Report, the Board had met the targets of the FTSE Women Leaders Review and the Parker Review on ethnic diversity as at least 40% of the individuals on the Board are women; the position of Chief Financial Officer is held by a woman; and at least one individual on the Board is from a minority ethnic background.

The Company has collected the diversity data used for these purposes from each individual on a voluntary basis. As set out in this Committee's report last year, the Board agreed a target that the Group should maintain circa 50% ethnic diversity in our senior leadership team (using the definition recommended by the Parker review), while recognising that periods of change in the composition of senior leadership may result in temporary periods when this balance is not achieved. The Board considers this that target continues to be appropriate and suitably challenging. You can read more about our progress against our other sustainability objectives, which form an integral part of our Long Term Incentive share plan measures, and read more about the diversity of our global workforce in the Sustainability Report (**www.coats.com/sustainability**).

Board and GET gender identity or sex*

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (GET and direct reports)	Percentage of executive management (GET and direct reports
Men	5	56%	3	35	70%
Women	4	44%	1	15	30%
Other categories					
Not specified/prefer not to say					

At Coats, we define our senior management team as employees that are band three or above in the organisation (Senior Management). As at 31 December 2024, there were 53 women (30%) and 124 men (70%) in Senior Management.

Board and GET ethnic background*

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management (GET and direct reports)	Percentage of executive management (GET and direct reports
White British or other White (including minority-white groups)	7	78%	4	20	40%
Mixed/Multiple Ethnic Groups					
Asian/Asian British	2	22%		14	28%
Black/African/Caribbean/Black British					
Other ethnic group, including Arab				3	6%
Not specified/prefer not to say				13	26%

* The data in the tables above was collected directly from the Board and GET. Members of the Board and GET were asked to indicate their gender identity, sex and ethnic background against the categories in the table above.

Assessment of the effectiveness of the Committee

The Committee's effectiveness in respect of the year ended 31 December 2024 was evaluated by way of a questionnaire-based internal review. Respondents included Committee members and regular attendees. The Committee considered the findings of the process, as well as confirming that the findings from last year's assessment had been adequately addressed.

The 2024 evaluation indicated that the Committee was working effectively and identified opportunities for the 2025 Committee work plan, which have been appropriately included and are included in the Committee's workplan for 2025.

Signed on behalf of the Nomination Committee by:

David Gosnell
Chair, Nomination Committee

5 March 2025

Last year, Coats set out our succession plan for the role of Chair of the Board. The Committee and Board, in a process led by the Senior Independent Director and from which the Chair recused himself, engaged with shareholders to explain the rationale for this proposal and the associated resolution was passed at the 2024 AGM, for which we value your support, with over 95% of the votes cast being voted in favour.

In line with the plan communicated last year and set out in this year's Notice of AGM, the Board is proposing David Gosnell's re-appointment to the Board and the Committees on which he sits for the remaining term of two years, subject to annual re-election. The Board and Committee are satisfied that David continues to demonstrate independent character and judgement, and promotes constructive challenge amongst the Board, and that he continues be independent in accordance with the Code. They are also satisfied that he continues to perform effectively and demonstrate commitment to the role.

The Committee and the Board, acting with David having recused himself, are highly mindful of the vital need for strong and consistent leadership from the Chair to continue to guide the Board, the Committees on which he sits and the Group in a period of changing leadership during the transition of the Group CEO and Group Chief Financial Officer, and the recent wider changes within the Group. Accordingly, after careful consideration, the Board has concluded that David's proposed re-appointment is appropriate and in the best interests of the Company and its stakeholders to ensure continuity during this transitional period.

In the second half of 2024 and in early 2025, Steve Murray, Senior Independent Director, has engaged with a number of the Company's key institutional investors and several proxy advisory firms to confirm the process and timing for identifying David's successor, which is expected to commence later in 2025. The shareholders indicated clear support for David continuing as Chair, with the majority supportive of his re-appointment for the remaining term of two years, subject to annual re-election.

Remuneration Committee report

Echo Lu

(Chair since May 2021)

Member since 2017

Steve Murray

Member since 2022

Fran Philip

Member since 2016

Dear Shareholder,

As Chair of the Committee, I am pleased to present the Directors' Remuneration Report for 2024.

This report consists of three parts: this letter summarising the work of the Committee and the decisions made, the Annual Report on Remuneration for 2024 (the Report), and a summary of the Directors' Remuneration Policy (the Policy) approved by shareholders at the 2023 AGM.

This letter and the Report will be subject to an advisory vote from shareholders at the 2025 AGM.

Highlights of 2024

- Enabled and supported smooth Executive Director succession planning, including determining the treatment of remuneration for the Group CEO and Group Executive Team (GET) roles and in early 2025, Group CFO roles.
- Balancing the volatility of the macro economic environment and shareholder interests with remuneration packages for our Executive Directors, GET members and wider workforce.
- Considering developments in market practice and the associated implications for the Group.
- Determining the 2023 annual bonus awards and the vesting of the 2021 LTIP award.
- In-depth review of remuneration arrangements within the wider workforce including the annual review of our global Living Wage policy, to which we are proud our employees are above the living wage.
- Reviewing Executive Directors and Group Executive Team salaries.
- Considering the implementation of the Policy for 2025, including performance measures, targets and weightings with early consideration of our policy which will be reviewed in full during 2025.

Areas of focus for 2025

- Reviewing the effectiveness of the current Policy against the current market and developing a new Policy ahead of the 2026 AGM.
- Overseeing the implementation of the current Policy for 2025.
- Setting incentive targets in a continuing challenging macro-environment, ensuring alignment with strategy and shareholder interests, as well as ensuring fairness and transparency.
- Continuing to review workforce remuneration policies to support our environmental, social and governance strategy as well as our Diversity, Equity and Inclusion objectives.

Workforce context

Whilst the challenges of high levels of inflation and cost of living pressures across the geographies in which we operate reduced in 2024 relative to previous years, the Committee remained mindful of these challenges and the need to ensure that the wider workforce were adequately supported, through a combination of approaches, including out of cycle salary increases and amendments to our benefits offering within countries.

Salary increases for the Executive Directors and the Group Executive Team were approved considering the increases applied to the relevant local workforce and their overall position against the market. Increases for our Executive Directors and GET in the UK were positioned below the UK workforce increase of 3.6%, with the exception of the Group CFO who received an exceptional increase of 10% to align her with the full market rate for the role. This increase reflected a number of factors that included her growth in her role and exceptional performance. The Committee also took into account the importance of Group CFO retention during a

Principal objectives of the Remuneration Committee

Our main objectives are to have fair, equitable and competitive reward packages that support our vision and strategy and help ensure that rewards are performance based and encourage longer-term shareholder value creation.

Key responsibilities

- Implementing the Directors' Remuneration Policy (the Policy).
- Ensuring the competitiveness of reward.
- Designing the incentive plans.
- Setting incentive targets and determining award levels.
- Reviewing workforce remuneration and related policies and the alignment of incentives and rewards with business strategy and culture.
- Engaging with shareholders on remuneration matters, including the Directors' Remuneration Policy.

Our executive remuneration principles

- Competitive with the local market and industry where we recruit from.
- Rewards the achievement of personal goals for each role.
- Linked to company performance over the short and long term.
- Fair and transparent rewards linked to clear measures and aligned to business strategy and goals.
- Aligned to the principles and operation of the remuneration policy for the wider workforce.
- Ensures that Remuneration appropriately reflects and incentivises the Company's Sustainability goals.

Remuneration Committee report cont.

critical period of Group CEO transition. As a result, the Committee increased her salary to around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts). This peer set was considered to be of similar size and complexity to Coats given the FTSE ranking of Coats and the nature of the companies in this peer set.

Fran Philip, our Designated Non-Executive for Workforce Engagement, continued her programme of meetings with our employees in all our local markets. Employees were encouraged to discuss matters of remuneration across the Group and raise any issues that they considered appropriate. The impact on remuneration of continued high inflation on employees was raised as part of these discussions in certain geographies.

Incentive structures remain aligned within the Coats business, therefore, the key metrics that apply to senior management compensation are applied consistently throughout the organisation, with our main bonus plan being subject to the same key financial measures as our Executive Directors.

As noted last year, we are in the process of enhancing and harmonising our benefits offering across the Group to ensure we continue to offer the most appropriate packages to our employees and are pleased to see the introduction of our global employee assistance programme in 2025, allowing all our employees to have the assistance they need at the time they need it.

Executive Director changes during 2024

As announced on 30 May 2024, as part of Coats Group plc's leadership succession plan, the Board reached agreement with Rajiv Sharma that he would step down from the Board and role of Group CEO. He stepped down from the Board and role of Group CEO on 30 September 2024.

Given his leaving employment was by way of mutual agreement in connection with the Board's leadership succession plans, the Committee determined that, in line with the discretions included within the relevant plan rules, that he would remain eligible to participate in the annual bonus plan for 2024, pro-rata for his period of employment, and also retain a pro-rata entitlement to his in-flight LTIP awards. Performance conditions will be tested at the end of the relevant performance periods and remain subject to the relevant malus and clawback provisions. In line with typical practice for executives leaving employment part way through a financial year (and Coats' Remuneration Policy), the 2024 bonus will be paid in cash. Rajiv Sharma remains subject to the Company's post-cessation of employment share ownership guidelines and is therefore required to retain 200% of his salary at 30 September 2024 for a period of two years. Further details of Rajiv's remuneration are set out later in this report.

Also announced on 30 May 2024, was the appointment of our new Group CEO David Paja. David commenced employment on 1 September 2024 and became Group CEO on 1 October 2024. David was appointed on a base salary of £720,000, positioning him around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts) which was considered the appropriate level of remuneration given the size and complexity of Coats. The Committee had regard to the remuneration package in his previous role and noted that the structure of his package remains comparable to his previous remuneration package. David's annual bonus and LTIP terms are aligned with those of the former Group CEO. David received a partial buyout, mirroring the terms of remuneration forfeit, in connection with joining Coats. Full details of his remuneration are set out later in this report.

Executive Director changes in 2025

It was announced on 7 January 2025 that our Group Chief Financial Officer, Jackie Callaway, had mutually agreed to step down from the Board at the conclusion of the AGM on 21 May 2025. Her remuneration arrangements on cessation of employment will be treated consistently with the Directors' Remuneration Policy and the relevant plan rules. Our intentions in relation to her leaver terms are set out later in this report.

Also announced on 7 January was the appointment of our new Group CFO, Hannah Nichols. She will join as Group CFO Designate on 24 April 2025 and will become Group CFO at the conclusion of the AGM on 21 May 2025. Hannah's base salary has been set at £465,000 which is around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts) which is considered the appropriate rate for the role given the size and complexity of Coats. Hannah's remuneration package, including the annual bonus and LTIP terms are aligned with those of our current Group CFO. Hannah will receive a performance related buyout, mirroring the terms of what was forfeit, in connection with her appointment. Further details of her remuneration are set out later in this report.

2024 remuneration outcomes

During 2024, the Group has delivered strong performance; strong Sales and EBIT performance was delivered by a faster than anticipated recovery from the destocking cycle in Apparel and Footwear and continued market share gains, with some offset from subdued end markets in PM. Further detail can be found on page 39.

The 2024 annual bonus outcomes reflect strong financial and strategic performance delivered by our Executive Directors during the year. All financial elements of the bonus exceeded the maximum target levels. This resulted in 100% of maximum being payable for the financial elements of the 2024 annual bonus.

Page 91 provides further information regarding performance against the Executive Directors' individual objectives and the associated individual outcomes, including the pro-rated bonus paid to David Paja and Rajiv Sharma.

The Committee critically assessed performance for the year and is comfortable that the annual bonus outcome reflects the strong financial and non-financial performance during the year. As a result, no adjustments to the formulaic outcome were made.

With regards to long-term performance, we achieved growth in Normalised EPS over the three-year period ending 31 December 2024 to 9.09 cents, post adjustment for pension buy-in, delivered a total shareholder return of circa 56%, and made strong strategic progress against a balanced scorecard of objectives. This resulted in 80.2% of the total award vesting. Further details, including details of our approach to the pension buy-in, are provided on page 92. As with the annual bonus the Committee reviewed this outcome in the context of performance delivered over the performance period, and the experience of our stakeholders, and concluded that this outcome was a fair reflection of performance. As a result, no adjustments to the formulaic outcome were made.

The Committee can confirm that the Policy approved at the 2023 AGM was implemented in 2024 as the Committee intended and worked effectively. The Committee continues to monitor this on an ongoing basis.

Remuneration Committee report cont.

Implementation of Policy for 2025

As the remuneration arrangements for the Group CEO and the incoming Group CFO were set on appointment, the Committee is comfortable that no material changes are required to remuneration levels for 2025.

No material changes to the measures of the 2025 annual bonus or LTIP grants are envisaged relative to 2024. With a 5% increase in the Sales weighting to 15% under the annual bonus plan and an equal reduction to Free Cash Flow to 25%. All other weightings remain the same.

Base salary – as of 1 January 2025:

Group CEO (David Paja) – £720,000

Outgoing Group CFO (Jackie Callaway) – £474,705

Incoming Group CFO (Hannah Nichols) – £465,000

The Committee remains mindful of institutional investor guidance in relation to salary increases and the compounding impact of Executive Director increases during periods of higher inflation and will continue to balance this with the need to recognise the performance, experience and calibre of the Executive Directors.

Pension – the pension provision for the Executive Directors is aligned to the typical rate of pension provision for the UK workforce of 12%.

Annual bonus – the maximum annual bonus opportunity will remain at 150% of salary for the Group CEO and 125% of salary for the incoming Group CFO with 50% deferred into shares for the Group CEO and 40% for the Group CFO. The deferral period is three years. The performance metrics are as detailed above.

The targets for the annual bonus will be disclosed retrospectively in next year's Remuneration Report. The Committee is comfortable that the targets reflect our business objectives and will be appropriately stretching.

LTIP – the Long Term Incentive Plan awards are expected to be granted at 175% and 150% of salary for the Group CEO and the incoming Group CFO respectively, with awards vesting subject to three-year performance targets. The award levels are consistent with the awards granted in 2024.

As a result of the leadership changes during the year and the wider market environment, the performance targets to apply to the 2025 awards will be included in the market announcement at the time of granting the awards.

Jackie Callaway, as part of our agreed leadership transition, will remain eligible to earn a pro-rata bonus for her period of employment up to 30 June 2025. Jackie will not be eligible to receive an LTIP grant in respect of 2025.

Conclusion

The Committee is satisfied that the decisions made during 2024 reflect the financial and non-financial performance of the Group during the year and balance the interests of all key stakeholders.

As part of the development of a new Policy ahead of our 2026 AGM, the Committee is planning to engage with our largest shareholders regarding any proposed changes in advance.

I look forward to receiving your support for our Annual Report on Remuneration at our 2025 AGM.

Echo Lu
Chair, Remuneration Committee
5 March 2025

“We are committed to maintaining a GPTW™ for our employees by delivering fair and equitable remuneration practices globally.”

Echo Lu,
Chair, Remuneration Committee

Remuneration Committee report cont.

Remuneration Policy summary (Executive Directors)

Element	Key features of policy
Fixed base and benefits	– Base salary is benchmarked against the FTSE 250 and a selected comparator group of similar size and complexity – Benefits benchmarked to local market practice and reflect the nature of the Executive's role – Pension benefits aligned to the workforce where the role is based
Annual bonus	– Maximum award opportunity: 150% of base salary – A proportion of annual bonus is subject to a mandatory deferral. Deferred bonuses are converted into share awards and are released after a three-year retention period so that the value of annual incentives is significantly aligned to the longer term performance of the Company
LTIP	– Maximum LTIP award opportunity: 175% of base salary (200% exceptional circumstances) – Awards are discretionary and may be made annually – Vesting is conditional on three-year performance conditions. Any shares vesting after three years are also subject to an additional two-year holding period – Performance measures and targets are determined by the Committee, taking into account the balance of strategic priorities for Coats for the upcoming three-year performance period – Any LTIP shares awarded are subject to malus and clawback
Shareholding Requirement	– 200% of salary within five years of appointment – Applies for 2 years post termination of employment based on the lower of the shareholding requirement or the actual shares held on termination

Remuneration release profile

	2024	2025	2026	2027	2028
Base salary/Benefits/Pension	Cash & benefits				
Short Term Incentive	Cash	Deferred shares			
Long Term Incentive	Performance Period			Holding Period	

Summary of implementation in 2024

Fixed remuneration	Implementation in 2024
Base salary 1 July 2024 review	– Increase of 3.4% for Rajiv Sharma and 10% for Jackie Callaway, against a budgeted increase for the UK workforce of 3.6%. Further details on the increase for Jackie Callaway are provided the Chair's introductory letter. – David Paja joined the Group on 1 September 2024 on a salary of £720,000.
Pension benefit Aligned to the UK workforce	– 12% of salary for all Executive Directors
Annual bonus Performance measures: Sales: 10% EBIT margin 20% EBIT: 20% Free Cash Flow: 30% Personal objectives: 20%	– For David Paja and Rajiv Sharma, a maximum bonus of 150% of salary pro-rated for time served in the year. David's bonus is subject to a 50% deferral of the outcome into shares, whilst Rajiv's bonus was paid in cash as detailed in the Chair's introductory letter. – For Jackie Callaway a maximum bonus of 125% with a deferral of 40% of the outcome in shares. – Outcomes for 2024 shown on page 91.
Long Term Incentive Performance measures: EPS growth: 30% Average Cash Conversion: 20% Total Shareholder Return: 25% Sustainability: 25%	– Grant of 175% of salary to Rajiv Sharma. As set out in the Chair's introductory letter and in line with the approach taken for Rajiv's other in-flight awards, this was pro-rated for time served during the performance period. – Grant of 150% of salary to Jackie Callaway. – Three-year performance period with subsequent two-year holding period. – Targets for 2024-2026 on page 93. – David Paja did not receive an LTIP grant in 2024. David received a buy-out award detailed on page 94.

Directors' remuneration report
for the year ended 31 December 2024

Annual Report on Remuneration

This Annual Report on Remuneration has been prepared in accordance with the relevant provisions of the Companies Act 2006 and as prescribed in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the Regulations). Where indicated, information has been audited by Ernst & Young LLP.

The Annual Report on Remuneration will be subject to an advisory vote at the AGM on 21 May 2025.

Executive Directors

Rajiv Sharma was appointed to the Board on 2 March 2015 and was Group Chief Executive with effect from 1 January 2017 until 30 September 2024. David Paja was appointed to the Board on 1 September 2024 and took on the role of Group CEO on 1 October 2024. Jackie Callaway was appointed to the Board on 1 December 2020 and appointed as Group Chief Financial Officer on 31 March 2021, remaining as such during 2024.

Single total figure for Executive Directors' remuneration for 2024 (audited information)

	David Paja		Rajiv Sharma		Jackie Callaway	
£000's	2024	2023	2024	2023	2024	2023
Base salary	**240.0**	–	**527.2**	678.5	**453.1**	421.3
Benefits	**15.7**	–	**90.7**	46.4	**28.1**	21.8
Other	–	–	–	–	–	–
Pension	**28.8**	–	**63.3**	81.4	**54.4**	50.6
Total Fixed	**284.5**	–	**681.1**	806.3	**535.6**	493.6
Annual bonus	**360.0**	–	**807.0**	693.3	**593.4**	358.8
LTIP	**1,007.7**	–	**1,085.0**	1,401.2	**692.9**	745.7
Total Variable	**1,367.7**	–	**1,892.0**	2,094.5	**1,286.3**	1,104.4
Total	**1,652.2**	–	**2,573.1**	2,900.8	**1,821.9**	1,598.1

The figures in the table above have been calculated on the basis of the following:

– David Paja's remuneration has been disclosed from commencement of employment on 1 September 2024. He received a base salary of £720,000 (pro-rated) and received a pro-rated annual bonus.

– Rajiv Sharma's remuneration has been disclosed up to 30 September 2024.

– Benefits: this is the value of all benefits including a car allowance, private medical insurance, life insurance and income replacement insurance, tax return support where applicable, and a payment in lieu of untaken holidays for Rajiv Sharma. A car allowance of £20,000 per annum was paid to David Paja and Rajiv Sharma, with an allowance of £15,000 per annum paid to Jackie Callaway.

– Annual bonus: is the total value in cash and shares of the annual bonus that is attributable to each year. 50% of the 2024 bonus outcome for David Paja and 40% for Jackie Callaway will be awarded in shares under the terms of the Deferred Annual Bonus Plan. Rajiv Sharma's bonus was pro-rated to 30 September 2024 and David Paja's bonus was pro-rated from the commencement of his employment on 1 September 2024.

– Pension: represents the value of all employer contributions to any pension plan or cash payments paid in lieu of a pension benefit. No Executive Director participates in any defined benefit pension arrangement. All Executive Director pension benefits are based in 12% of base salary, being the rate received by the majority of the UK workforce rate.

– The value of the LTIP awards shown for 2023 have been restated to reflect the value on the vesting date (7 March 2024) including dividend equivalents accrued to this date, using the share price on 7 March 2024 of £0.764.

– Of the amount shown, £270,971 and £144,214 of this value represents the value attributable to share price growth over the three-year period (excluding dividend equivalents) to Rajiv Sharma and Jackie Callaway respectively. No discretion was exercised in respect of these amounts.

– The value of the LTIP awards shown for Rajiv Sharma and Jackie Callaway for 2024 reflects the vesting of LTIP awards with a performance period ending in 2024. Of the amount shown, £347,547 and £221,970 of this value represents the value attributable to share price growth for Rajiv Sharma and Jackie Callaway respectively, over the three-year period based on the average share price for the last three months for 2024. No discretion was exercised in respect of these amounts.

– The value of the LTIP award shown for David Paja reflects the buy-out award granted on 6 September 2024 to David Paja based on the share price immediately prior to grant of £0.998. The award was granted over 1,009,693 shares, in partial compensation for awards forfeited from his previous employer in connection with joining Coats and reflects the structure of the forfeit award. The award is subject to remaining in employment is not subject to a performance condition. Further details are set out on page 94.

Directors’ remuneration report cont.

Annual bonus outcome 2024 (audited information)

The annual bonus for 2024 was determined in accordance with the details provided in the 2023 Directors’ Remuneration Report. Details of the bonus measures and opportunities are provided in the table below.

The measures were selected to incentivise a balance of outcomes that reflected the strategic priorities of the Group.

Annual bonus 2024	Weighting		Achievement		Performance achieved in 2024	
Performance Measure		Threshold (10% of max)	Target (50% of max)	Maximum (100% of max)		Outcome as % of max
Group Sales $m	10%	1,401	1,445	1,485	1,520	**10%**
Earnings Before Interest and Taxation (EBIT) $m	20%	240	255	270	274	**20%**
EBIT Margin (%)	20%	16.7%	17%	17.3%	18%	**20%**
Free Cash Flow (adjusted) (FCF) $m	30%	100	115	130	154	**30%**
Individual objectives	20%	–-	–	–	See below	**20%**
Total	**100%**					**100%**

Targets were set in relation to budget for the 2024 financial year. The Committee resolved that the Board’s decision to undertake a pension buy-in during the year should not result in the 2024 bonus targets becoming easier or harder to achieve as a result of de-risking the pension scheme. The figures in the table above have not been adjusted for the marginal reduction in Free Cash Flow as a result of the pension buy-in. The Committee did consider the numbers adjusted for the pension buy-in (i.e. adjusting for the higher interest costs and reduced pension contributions in 2024) but noted it did not impact the bonus outcome (i.e. maximum was earned with or without a pension buy-in adjustment) and so no adjustment was made.

All figures reflect the 2024 Plan exchange rates.

The performance reflected in the table above reflects the figures disclosed in this Annual Report adjusted to exclude the impact of any exchange rate fluctuations during the year $19 million for Sales, $4 million for EBIT, and $0.8 million for FCF respectively.

For the 2024 annual bonus, challenging individual objectives were established by the Committee for each Executive Director that reflected activities and initiatives intended to improve the performance of the Group. The objectives established and assessed for 2024 are reflected in the section below.

Personal objectives linked to 2024 bonus

At the beginning of the year the Committee determined that the following personal objectives would be linked to 20% of the maximum annual bonus outcome. All objectives were equally weighted.

	Objective	Outcome
Group CEO – David Paja	Higher EBIT margin of 18% at Group level	With 18% EBIT margin achievement for 2024, the Committee considered David’s efforts instrumental in ensuring our EBIT margin for 2024 went beyond the target set for the former CEO and CFO at the start of the year. The Committee therefore considered this object to be met in full.
	Deliver an in-depth review of PM with actionable plans for 2025	A clear and compelling strategy for Performance Materials was presented to the Board. In addition, David identified the need to close Toluca, which at the time of assessment, was in active progress for completion in 2025, and appointed a new CEO, Performance Materials Division and Group Chief Operations Officer.
	The Committee determined the outcome of 20% out of a possible 20% of maximum bonus.	
Former Group CEO – Rajiv Sharma	Deliver 17% EBIT margin at Group level in H1 and FY	With the full year target of 17% achieved well ahead of the stretch target set for H1, and with 18% EBIT margin achievement for 2024, the Remuneration Committee is satisfied this objective was met in full.
	Deliver 2024 sustainability targets	Our 2024 sustainability targets included: a reduction in Scope 1 & 2 emissions; transition of in-scope raw materials to non-virgin oil-based materials; increase in water recycling rate; zero waste to landfill; effluent compliance; GPTW™ coverage; and females in senior leadership roles. Performance against these targets is set out on page 40. Given the high performance levels to date, the Committee is satisfied this objective was met in full.
	The Committee determined the outcome of 20% out of a possible 20% of maximum bonus.	
Group CFO – Jackie Callaway	Deliver 17% EBIT margin at Group level in H1 and FY	With the full year target of 17% achieved well ahead of the stretch target set for H1, and with 18% EBIT margin achievement for 2024, the Remuneration Committee is satisfied this objective was met in full.
	De-risk pensions	We are now fully insured in a £1.3 billion deal, marking a significant step forward for the Group. It provides certainty for our pensioners, removes a significant cash commitment and enables management to focus on accelerating profitable growth and deploying capital to our other key priority areas for 2025 and beyond with the final terms and timing of the buy-in delivered ahead of the Board’s original planning. Therefore, the Committee is satisfied this objective was met in full.
	The Committee determined the outcome of 20% out of a possible 20% of maximum bonus.	

The above table includes the targets set and actual performance against them other than where information is considered price sensitive by the Remuneration Committee.

In making its final determination of performance against the targets, the Committee had regard to the exceptional financial performance and stakeholder experience during 2024, including a substantial shareholder return, which resulted in the Committee being comfortable that paying bonuses in line with the original formulas set was appropriate.

Directors' remuneration report cont.

Summary 2024 Bonus Outcome

The Committee assessed the formulaic outcome and were comfortable that these outcomes were reflective of a holistic assessment of performance delivered during the year, reflected shareholder value, and the experience of employees during the year, who have generally excelled against their bonus targets. As a result, no adjustments to the formulaic outcomes were made.

Performance Measure	Bonus opportunity (% of salary)	2024 bonus outcome (% of maximum)	Bonus outcome (£)
Group CEO – David Paja	150%	100%	£360,000[1]
Group CEO – Rajiv Sharma	150%	100%	£806,986[2]
Group CFO – Jackie Callaway	125%	100%	£593,381

1. The amount of bonus for David Paja reflects his time in role between 1 September 2024 to the end of the financial year.
2. The amount of bonus for Rajiv Sharma was pro-rated to 30 September 2024.

Long Term Incentive award vesting (audited information)

On 4 March 2022 Rajiv Sharma and Jackie Callaway were granted an award over 1,698,806 and 904,157 shares under the terms of the Long Term Incentive Plan respectively in the form of nil cost options. Awards vest according to performance over the period from 1 January 2022 to 31 December 2024 (referred to as 2022 LTIP). Due to Rajiv stepping down from the Board, his outstanding awards were pro-rated, resulting in 1,415,672 shares outstanding under the 2022 LTIP after cessation.

As set out in the table below 80.2% of the shares granted will vest on 6 March 2025.

The performance measures were based upon Total Shareholder Return performance (TSR), Earnings Per Share CAGR (EPS) and Cumulative Free Cash Flow relating to Coats Group plc. The achievement of the Long Term Incentive Plan performance measures and the consequent vesting of the awards are shown in the table below.

2022 LTIP: Performance period 1 January 2022 to 31 December 2024

Measure	Weighting	Threshold (25% vesting)	Mid (62.5% vesting)	Maximum (100% vesting)	Actual	Outcome as % of max LTIP
EPS CAGR	40.0%	5% CAGR	12.5% CAGR	20% CAGR	10.1% CAGR	20.2%
Cumulative Free Cash Flow	20.0%	$321m	$359m	$396m	$398m	20%
Total Shareholder Return versus the FTSE 250 excluding investment trusts	20.0%	Median	62.5th Percentile	Upper Quartile	88th Percentile	20%
Sustainability	20.0%	See summary of performance below				20%
Total						**80.2%**

The EPS targets were set in 2022 to be adjusted for the impact of IAS 19 and wider pension finance charges, so that the performance condition reflected underlying performance. EPS was restated for the pensions buy-in. The Committee, is comfortable this approach ensures the impact of the targets are no more or less challenging than originally intended when the target was set, this adjustment restated EPS for the financing impact of the buy-in on the targets. There was no material impact on the Cumulative Free Cash Flow target over the performance period. As intended at the time the targets were set, the Committee intends to treat in-flight LTIP awards in a similar manner with final determination being made prior to vest.

Summary of performance against sustainability targets

The extent of achievement in performing against the sustainability targets set for the 2022 LTIP is set out below.

The Committee tested the extent of achievement against each individual target. All targets are measured against a 2022 baseline. For a partial achievement of each measure, up to 25% of the award will vest if a minimum threshold performance standard is obtained in all three targets, rising to 100% vesting for the achievement of all three.

Area	Target	Performance	Percentage Achievement of Target
Recycled materials	To achieve a growth in sustainable (non-virgin oil based) materials to 40% by 2024	Growth to 46% was achieved.	100%
Emissions	Pro-rata reduction in Scope 1 & 2 emissions of 11%	Reduction of 51% achieved.	100%
Water Usage	Increase water recycling rate and achieve a 5% increase.	14% increase was achieved by the end of 2024.	100%
Overall performance			**100%**

The Committee considered the Group's overall performance over the 2022 LTIP performance period and felt that the outcome of 80.2% appropriately reflected the performance of the business during the performance period which included an unforeseen and significant destocking cycle. As a result, no adjustments to the formulaic outcomes were made.

Share awards granted in 2024 (audited information)

The following share awards were granted to Executive Directors during the financial year ended 31 December 2024. The targets for achieving minimum performance for each measure, where these apply, are shown in the table overleaf.

The share price shown, was used to calculate the number of options awarded under the terms of the Coats Group plc Long Term Incentive Plan, is based on the mid-market closing price for the day immediately preceding the grant date.

Directors' remuneration report cont.

Awards were granted as nil cost options under the terms of the Coats Group plc Long Term Incentive Plan that was approved by shareholders on 22 May 2014. Awards were also granted to over 80 senior managers on similar terms. The LTIP awards will vest, subject to the achievement of performance measures, on the third anniversary of the date of grant. For Executive Directors an additional two-year holding period applies. The notional value of any dividends paid on any vested share during the period from grant to the end of the holding period is awarded as additional shares upon exercise.

Executive Director	Date of grant	Number of options awarded	Face value at award date	Award value as a % of salary	Share price to calculate no of shares	% vesting for minimum performance	Performance period	Vesting date
Jackie Callaway	22–Mar–24	821,478	£647,325	150%	£0.788	25%	1 Jan 2024 to 31 Dec 2026	22–Mar–27
Rajiv Sharma	22–Mar–24	1,543,464	£1,216,250	175%				

Rajiv Sharma's award was pro-rated for time, resulting in 257,244 shares outstanding.

Long Term Incentive Plan awards performance measures

The performance measures applicable to awards granted in respect of the three-year performance period that commenced on 1 January 2024 (LTIP 2024) are shown below.

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
EPS CAGR	30.0%	5%	13%
Total Shareholder Return versus the FTSE 250 excluding investment trusts	25.0%	Median	Upper quartile
Average Cash Conversion	20.0%	70%	90%
Sustainability (see details below)	25.0%	See below	See below

The EPS CAGR measure is based on normalised EPS, adjusted to exclude the impact of exceptional costs such as property gains or losses and the impact of variation of the IAS 19 (pensions finance) charge. Total Shareholder Return is the total return to shareholders which includes share price growth and ordinary dividends (reinvested on the ex-dividend date). The performance measure is assessed against a comparator group consisting of the FTSE 250, excluding investment trusts.

Average Cash Conversion is defined as the average of the adjusted Free Cash Flow divided by normalised Attributable Profit for each of the three years in the performance period. The adjusted Free Cash Flow is before deficit repair contributions to the UK pension scheme and after maintaining the Company's asset base i.e. operating cash flow minus capital expenditures, adjusted for exceptional items such as property gains or losses.

The Sustainability targets are as follows:

Sustainability	Threshold (25% vesting)	Maximum (100% vesting)
Energy: reduction in Scope 1 & 2 emissions	20%	24%
Recyclable materials: growth in sustainable (non-virgin oil) based materials	Growth to 55%	Growth to 65%
Waste: reduction in waste to landfill	93% reduction	100% reduction and zero total waste to landfill
Diversity & inclusion: percentage representation of women in the leadership (senior manager and above) population	28%	32%
Wellbeing: percentage of employees in Coats units that have a GPTW or equivalent certification	87%	89%
Targets for energy, waste reduction, and growth in recyclable materials are measured against a 2022 baseline.		

The Committee will test the extent of achievement against each equally weighted target shown above.

The Committee retains the discretion to consider whatever adjustments it considers are fair and reasonable when considering performance against the targets shown. The Committee may adjust the level of vesting if it considers that the performance measures do not reflect the overall performance of the Company during the performance period or if there has been a material event such as an acquisition or disposal during the course of the performance period.

Directors' remuneration report cont.

David Paja buy-out award

The share price shown below, reflects the mid-market closing price for the day immediately preceding the grant date. When granting the award, the five day average immediately preceding commencement of employment was used.

The award was granted as a nil cost option and was intended to partially replace the award in David Paja's previous employer (GKN Aerospace) that was forfeited on cessation of employment.

The structure of the award, being an award of shares vesting over 3 years from the commencement of employment subject to continued employment, mirrors the structure of the award forfeit on joining Coats. There were no performance conditions on the award forfeit and the amount was determined with reference to the total amount forfeited. As a result, while the buy-out did not fully replace the award forfeit, it was considered proportionate to what was lost in connection with joining Coats.

Executive Director	Date of grant	Number of options awarded	Face value at award date	Award value as a % of salary	Share price immediately preceding grant	% vesting for minimum performance	Performance Period	Vesting date
David Paja	6-Sept-24	1,009,693	£1,007,674	140%	£0.998	n/a	n/a	1-Sept-27

Non-Executive Directors

Fees were increased by 3% with effect from 1 July. Therefore, the base fee increased to £68,135; the supplementary Chair and Senior Independent Director fees increased to £13,519 and the fee as Designated Non-Executive for Workforce Engagement increased to £8,111.

The fee for the Chair payable to David Gosnell following the extension of his term was increased by 3% to £257,500 aligning to market rates. David Gosnell had not received a fee increase previously, following his appointment on 19 May 2021.

Single total figure for Non-Executive Directors' remuneration for 2024 (audited information)

Non-Executive Directors, excluding the Chair, who are required to travel long haul (more than five hours one-way) to meetings are entitled to an additional travel allowance of £1,500 for each round trip subject to a maximum of five trips per annum. Additional fees may be paid for additional duties and time commitments that are undertaken outside the terms of appointment.

	Base fee £000		Supplementary fee £000		Benefits[1] £000		Other fee[2] £000		Total £000	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
David Gosnell	**253.8**	250.0	–	–	**4.6**	–	–	–	**258.3**	250.0
Nicholas Bull[3]	**27.6**	64.6	**10.9**	24.4	**0.2**	–	**1.5**	1.5	**40.2**	90.5
Sarah Highfield[4]	**67.1**	11.0	**8.3**	–	**0.5**	–	**3.0**	–	**78.9**	11.0
Echo Lu	**67.1**	64.6	**13.3**	12.8	–	–	**1.5**	1.5	**82.0**	78.9
Stephen Murray	**67.1**	64.6	**8.3**	–	–	–	**3.0**	1.5	**78.4**	66.1
Fran Philip	**67.1**	64.6	**8.0**	7.7	**2.2**	1.8	**7.5**	7.5	**84.8**	81.6
Jakob Sigurdsson	**67.1**	64.6	–	–	–	–	**3.0**	1.5	**70.1**	66.1
Srinivas Phatak[5]	**22.7**	–	–	–	–	–	**–**	–	**22.7**	–
Total	**639.7**	584	**48.8**	44.9	**7.4**	1.8	**19.5**	13.5	**715.4**	644.1

1. The figure under benefits for Non-Executive Directors relates to support with tax returns and any taxable expenses, reported to the relevant tax authorities during the year.
2. Fees under Other fee represent the £1,500 per trip travel fee payable for Directors (excluding the Chair) who travel long haul to attend Board meetings.
3. Steve Murray was appointed Senior Independent NED in May 2024.
4. Sarah Highfield was appointed Chair of the Audit and Risk Committee in May 2024 and appointed to the Board in November 2023.
5. Srinivas Phatak was appointed to the Board effective 1 September 2024.

Directors' remuneration report cont.

Payments for loss of office (audited information) & Payments to former Directors (audited information)

As announced on 30 May 2024, as part of Coats Group plc's leadership succession plan, the Board reached agreement with Rajiv Sharma that he would step down from the role of Group Chief Executive and Executive Director on 30 September 2024. The treatment of his remuneration was agreed as follows:

- **Salary and benefits** – Rajiv received his normal remuneration in accordance with his service agreement up to and including 30 September 2024, when he ceased to be employed by the Group. Rajiv received a payment in lieu of accrued but untaken holiday as of 30 September 2024. No further payments relating to salary or benefits were made in connection with Rajiv's 12-month contractual notice period.
- **Annual bonus** – As a result of cessation of employment being by way of mutual agreement in connection with the Board's leadership succession plans, Rajiv remained eligible to participate in the Coats Group Annual Bonus Plan for the financial year ending 31 December 2024. As disclosed above, his entitlement to a bonus was pro-rated for his service from 1 January 2024 to 30 September 2024 and remained subject to achievement of performance measures. The bonus payment will be paid in cash at the normal payment date and will remain subject to malus and clawback as well as the wider terms of the plan.
- **Deferred Annual Bonus Plan Awards** – Rajiv's unvested DABP awards will vest in full on the awards' normal vesting dates, subject to the rules of the DABP. Any dividend equivalents accrued in respect of these awards will be paid in the form of additional shares and capable of exercise thereafter. Any shares acquired in connection with these awards will remain subject to the rules of the DABP, including provisions relating to malus and clawback. Details of all outstanding awards are detailed on page 96.
- **Long Term Incentive Plan Awards** – As a result of cessation of employment being by way of mutual agreement in connection with the Board's leadership succession plans, the Remuneration Committee determined that Rajiv is a good leaver in respect of his outstanding awards under the LTIP. Details of the outstanding awards are on page 96. Rajiv's unvested LTIP awards will remain eligible to vest on their normal vesting dates, each subject to a pro-rata reduction to reflect the period from grant to 30 September 2024 relative to three years, and the application of performance targets. In accordance with the rules of the LTIP, any vested shares will remain subject to the terms of the Plan which include a two year holding period from vesting and malus and clawback provisions. Rajiv's outstanding awards remain eligible to be exercised up until one month following the end of the relevant holding period. Any accrued dividend equivalents will be paid in the form of additional shares.
- **Post cessation of employment share ownership requirement** – Rajiv is contractually bound to hold 200% of his base salary for two years following cessation of employment.
- **Contribution to legal costs** – Rajiv was entitled to a contribution not exceeding £1,750 in respect of the legal costs incurred in relation to this cessation of employment.

No other payments were made in connection with loss of office or to former Directors in the year.

Jackie Callaway Leaver Terms

As announced on 7 January 2025, it was mutually agreed with Jackie Callaway that as part of the ongoing leadership transition she would step down from the role of Chief Financial Officer at the AGM on 21 May 2025 and remain in employment until 30 June 2025.

It is intended that she will remain eligible to receive a pro-rata bonus based on performance during 2025 paid at the normal time in 2026. She will also remain eligible to receive her previously earned DABP awards at the relevant vesting dates.

As a result of her cessation of employment being by way of mutual agreement in connection with the Board's ongoing leadership succession plans, it is anticipated that she will retain the right to receive her in-flight LTIP awards, reduced pro-rata for her period of employment relative to the three years and subject to performance.

Jackie Callaway will not receive any payment in lieu of any unexpired notice period following cessation of employment.

Full details of the treatment of her remuneration in connection with her cessation of employment will be set out in next year's Directors' remuneration report.

Directors service agreements and appointment letters

All Executive Directors have service agreements which are rolling with an indefinite term and provide for a notice period from either side of 12 months and all of this notice is unexpired. No appointment letters for Non-Executive Directors, including the Chair, contain a notice period. All service agreements and appointment letters for Directors are available for inspection at the Company's registered office during normal hours of business and will also be available for inspection at the Company's Annual General Meeting.

Non-Executive Director	Latest Letter of Appointment
David Gosnell	26-Feb-24
Sarah Highfield	16-Oct-23
Echo Lu	28-Feb-24
Stephen Murray	26-Feb-24
Fran Philip	28-Feb-24
Srinivas Phatak	09-Aug-24
Jakob Sigurdsson	26-Feb-24

Directors’ remuneration report cont.

Statement of Directors’ shareholding and share interests (audited information)

The interests of the Directors who held office during the year, and their closely associated persons (if any), in the shares, options and listed securities of Coats Group plc and its subsidiaries. For David Paja and Jackie Callaway, the below represents interests as at 31 December 2024 and for Rajiv Sharma the below represents interests as at 30 September 2024.

	Shareholding requirement in 2024			Shares beneficially owned		Deferred bonus shares subject to vesting period		LTIP share options (subject to performance conditions)		Share options (no performance conditions)	
	Number of shares[3]	Equivalent % of salary	Condition met?	1-Jan-2024[11]	31-Dec-2024[2]	1-Jan-2024[1]	31-Dec-2024[2]	1-Jan-2024[1]	31-Dec-2024[2]	1-Jan-2024[1]	31-Dec-2024[2]
Executive Director											
Jackie Callaway	1,098,346	200%	Yes	333,489	333,489	464,702	673,892	2,632,657	2,511,987	–	907,006
David Paja	1,665,895	200%	No	–	300,000	–	–	–	–	–	1,009,693
Rajiv Sharma	1,431,534	200%	Yes	4,596,492	4,596,492	1,246,906	1,752,251	4,946,731	2,411,755	283,660	1,987,877
Chair and Non-Executive Directors											
David Gosnell			N/A	1,717,470	1,717,470	–	–	–	–	–	–
Nicholas Bull			N/A	550,000	550,000	–	–	–	–	–	–
Sarah Highfield			N/A	–	–	–	–	–	–	–	–
Echo Lu			N/A	22,874	22,874	–	–	–	–	–	–
Stephen Murray			N/A	65,000	100,000	–	–	–	–	–	–
Srinivas Phatak			N/A	–	–	–	–	–	–	–	–
Fran Philip			N/A	75,984	75,984	–	–	–	–	–	–
Jakob Sigurdsson			N/A	77,244	77,244	–	–	–	–	–	–

1. Or date of appointment, if later.
2. Or date of cessation, if earlier.
3. The target number of shares is based on the average share price for 2024 which was 86.44p, Rajiv Sharma’s requirement represents the number fixed on cessation.

The Executive Directors’ shareholding requirement must be met within five years of their appointment to the Board. There is no requirement for Non-Executive Directors. For the purposes of achieving this target the total number of shares beneficially owned by the Executive Director or a closely associated person is considered as well as the estimated post- tax number of vested but unexercised share options or deferred bonuses that are not subject to a performance condition. All unexercised Long Term Incentive Plan awards granted to Executive Directors include a requirement to retain any vested shares (save for any shares that may be sold to satisfy income tax liabilities) until a minimum of the fifth anniversary of the date of grant.

Details of scheme interests as at 31 December 2024 (audited information)

David Paja

Award	Vesting date	Retention period	Expiry date	No.	Status	Performance conditions?
Share options (no performance conditions)						
LTIP – Buyout Award	01-Sep-27	N/A	06-Sep-34	1,009,693	Unvested	No

Rajiv Sharma[2]

Award	Vesting date	Retention period	Expiry date	No.[1]	Status	Performance conditions?
Deferred bonus shares subject to vesting period						
DABP22	04-Mar-25	N/A	04-Mar-32	706,218	Unvested	No
DABP23	03-Mar-26	N/A	03-Mar-33	540,688	Unvested	No
DABP24	07-Mar-27	N/A	07-Mar-34	505,345	Unvested	No
Sub-total				1,752,251		
LTIP share options (subject to performance conditions)						
LTIP22	04-Mar-25	04-Mar-27	04-Mar-32	1,415,672	Unvested	Yes
LTIP23	17-Mar-26	17-Mar-28	17-Mar-33	738,839	Unvested	Yes
LTIP24	22-Mar-27	22-Mar-29	22-Mar-34	257,244	Unvested	Yes
Sub-total				2,411,755		
Share options (no performance conditions)[1]						
LTIP20	06-Mar-23	06-Mar-25	06-Mar-30	283,660	Vested	No
LTIP21	07-Mar-24	07-Mar-26	05-Mar-31	1,704,217	Vested	No
Sub-total				1,987,877		

1. Excluding dividend equivalents acquired on vesting
2. Rajiv’s unvested awards were subject to a pro-rata reduction on cessation

Directors' remuneration report cont.

Jackie Callaway

Award	Vesting date	Retention period	Expiry date	No.[1]	Status	Performance conditions?
Deferred bonus shares subject to vesting period						
DABP22	04-Mar-25	N/A	04-Mar-32	258,709	Unvested	No
DABP23	03-Mar-26	N/A	03-Mar-33	205,993	Unvested	No
DABP24	07-Mar-27	N/A	07-Mar-34	209,190	Unvested	No
Sub-total				673,892		
LTIP share options (subject to performance conditions)						
LTIP22	04-Mar-25	04-Mar-27	04-Mar-32	904,157	Unvested	Yes
LTIP23	17-Mar-26	17-Mar-28	17-Mar-33	786,352	Unvested	Yes
LTIP24	22-Mar-27	22-Mar-29	22-Mar-34	821,478	Unvested	Yes
Sub-total				2,511,987		
Share options (no performance conditions)[1]						
LTIP21	07-Mar-24	07-Mar-26	05-Mar-31	907,006	Vested	No

1. Excluding dividend equivalents acquired on vesting.

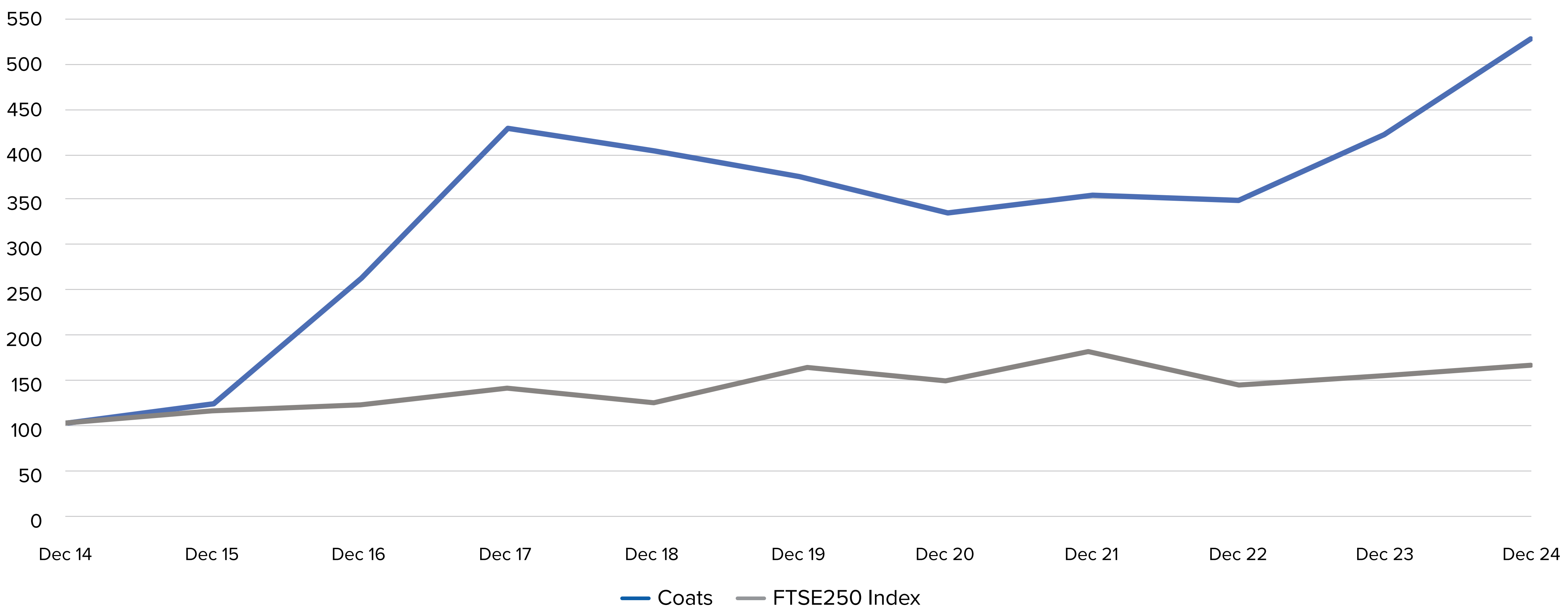
Share options (exercised during the year)

No share options were exercised by Directors during the year.

No options have been exercised by any Director between the year-end and the signing of this report. No other Directors have entered into any transactions since the year-end. The middle market price of Coats Group plc shares at 31 December 2024 was 94.4 pence and the range during the year was 67.4 pence to 104.2 pence.

Review of performance

The graph below shows the difference between investing £100 in the Company and the constituents of the FTSE 250 from 1 January 2015 to 31 December 2024. It is assumed dividends are reinvested over that period. The Board feels the FTSE 250 provides an appropriate comparator given the Company's market capitalisation and its presence on the London Stock Exchange.



Chief Executive total remuneration for the last 10 years[1]

Executive Director	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024
Name	Paul Forman	Paul Forman	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	David Paja
CEO single figure remuneration (£k)	1,017.0	1,760.3	2,566.9	3,356.7	2,228.1	787.4	1,758.5	1,868.7	2,900.8	2,573.1	1,652.2
Annual bonus as a % of maximum opportunity	87.1%	77.0%	79.5%	66.7%	67.3%	5.0%	97%	84%	66.5%	100%	100%
LTIP award as a % of maximum opportunity	–	43.6%	60.0%	84.2%	95.8%	0%	0%	18.2%	96.27%	80.2%	N/A

1. The Company did not have an Executive Director who performed the role of CEO until 2 March 2015, when the Company completed its transition from Guinness Peat Group plc to Coats Group plc. The increase in CEO remuneration from 2015 to 2016 is therefore largely influenced by the 2015 single figure data being part year data. The CEO figures for 2017, 2018 and 2019 reflect the appointment of Rajiv Sharma and in particular the increase in benefits reflect the relocation and expatriate support that was offered to him following his appointment as CEO on 1 January 2017. The 2023 single figure of remuneration has been restated to reflect the value of the LTIP on vesting. The 2024 figure reflects the appointment of David Paja and departure of Rajiv Sharma.

Directors' remuneration report cont.

Director's remuneration – annual percentage change

The table below shows the percentage change in the annual remuneration of Directors and the average UK colleague from 2019 onwards.

	Salary or fees[3] (% change)					Benefits[2] (% change)					Bonus (% change)				
	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2023 to 2024	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020
David Paja	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rajiv Sharma	-22.3%	5%	4%	6.9%	-3.6%	95.7%	12%	-12.7%	25.8%	-46.8%	16.4%	-16.9%	-9%	1898.8%	-91.1%
Jackie Callaway	7.6%	5%	4%	1.4%	N/A	28.9%	2.4%	35.7%	-0.6%	N/A	65.4%	-9.7%	-5.5%	100%	N/A
David Gosnell	1.5%	0%	37.7%	163.4%	-5%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A
Nicholas Bull	3.8%	11.3%	13.7%	4.4%	-5%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A
Sarah Highfield	21.4%	N/A	N/A	N/A	N/A	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Echo Lu	3.9%	6.6%	6%	22.5%	-5%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A
Stephen Murray	18.7%	7.4%	0%	N/A	N/A	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Srinivas Phatak	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fran Philip	3.6%	6.4%	11.1%	2.9%	-5%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A
Jakob Sigurdsson	6.2%	4.9%	2.4%	-6.8%	-5%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A
Average of all employees[1]	4.6%	7.6%	5.5%	3.1%	0%	4%	10.8%	0%	0%	0%	140%	-13.8%	N/A	N/A	N/A

1. The average of all employees reflects the total number of employees based in the UK excl. Texon. The UK has been chosen as the most appropriate comparator group because the Executive Directors are employed by the UK parent company and the majority of Coats employees who are employed outside the UK are working in locations with very different inflationary and market pressures. The UK employee population includes employees across all levels of the organisation and for prior year comparisons, excludes acquisitions made during the relevant year.
2. Non-Executive Directors do not receive benefits-in-kind however, figures are disclosed in the benefits Single Figure table to reflect business expense payments and tax support where applicable, that are regarded as taxable by the UK tax authority. Year-on-year variations in the reported benefits value have been ignored for this purpose unless there is the provision of a material specific benefit or if the difference in benefit is greater than £5,000 from one year to the next.
3. David Paja, Srinivas Phatak, Jackie Callaway, Sarah Highfield, and Stephen Murray do not have five years' worth of disclosure as they joined the business during this time.
4. To enable comparisons, non-executive leavers and joiners figures have been annualised. The figures for Stephen Murray, Sarah Highfield, David Gosnell, Echo Lu and Nicholas Bull in 2024, 2022 and 2021 reflect their increased fees following their appointments as SID, Audit Chair, Chairman, Remuneration Committee and Audit Chairs respectively.

Relative importance of spend on pay

The table below shows the total pay for all of the Company's employees compared to other key financial indicators.

	Year to 31 December 2024	Year to 31 December 2023	% change
Employee costs (US$m)	304.3	293.7	4%
Distributions to shareholders[1] (US$m)	46.5	40.6	15%
Average number of employees	15,878	15,539	2%
Revenues from continuing operations (US$m) – CER basis	1500.9	1,376.5	9%
Operating profit pre-exceptional (US$m) – CER basis	269.6	229.3	18%

1. By way of dividends.

Additional information on number of employees, total revenues and profit has been provided for context. The figures for employee costs, average number of employees, revenues and operating profit in 2024 and 2023 have been stated on the basis of continuing operations only. The figures for revenues and operating profit are on a constant exchange rate (CER) basis with amounts for 2023 restated at 2024 exchange rates.

CEO pay ratio

Coats is not required to publish a CEO pay ratio as the Group employs less than 250 employees in the UK. However, the Company publishes a disclosure on a voluntary basis. This ratio shows the CEO's pay relative to our UK employees.

		Salary			Salary plus bonus			Total pay		
Financial Year	Calculation methodology	P25	P50	P75	P25	P50	P75	P25	P50	P75
2019	A	21	12	8	37	20	11	58	36	19
2020	A	20	12	7	20	12	7	20	14	7
2021	A	16	12	8	37	27	13	41	27	12
2022	A[1]	15	10	6	34	21	10	42	23	11
2023	A[1]	14	9	5	28	17	8	50	30	14
2024	A[1]	11	8	5	27	18	10	37	24	14

1. During 2022, Coats acquired Texon which includes approximately 100 UK based employees. These employees have been excluded from the analysis, however, based on high-level analysis, Coats was comfortable that the inclusion of these employees would not have had a material impact on the overall historical CEO pay ratios, and that the ratios for are reflective of the overall Group.

Directors' remuneration report cont.

The ratios have remained relatively stable over the year, however the ratios presented in 2024 are influenced by a change in Group CEO during the year and a change in UK headcount.

The lower quartile, median and upper quartile employees in the table below were identified on the basis of full-time equivalent total remuneration and benefits in the 12-month period ending 31 December 2024 (this is referred to as methodology A according to the Regulations). This calculation methodology was selected as it was the closest comparative methodology to the basis on which the remuneration for the Group CEO is disclosed for the year ended 31 December 2024. The UK workforce is the most appropriate comparator group because the Group CEO is employed by the UK parent company and the pay of the global workforce is subject to very significant fluctuations due to local inflationary pressures and foreign exchange rate movements.

The Committee has considered the pay data for the three individuals and concludes that the median ratio is a fair reflection of pay and reward policies for the UK workforce as a whole. In addition, the data was compared to the average of five individuals above and below their remuneration in terms of total compensation and mix of pay for the year to 31 December 2024 to ensure the percentile ranking for each individual was comparable to all individuals within that quartile grouping. No adjustments have been made to the data other than to ensure full-time equivalence. Where a performance bonus is paid, an assumption about the estimated attainment for some of the personal objectives have been made. The Committee is satisfied that any assumptions do not have a material impact on the selected reference employee nor on the calculated ratio. The remuneration details for the individuals are shown below.

	CEO	Lower quartile	Median	Upper quartile
Base Pay	£706,175	£63,921	£87,502	£128,583
Base and Bonus	£1,873,161	£70,672	£103,033	£185,640
Total Remuneration	£2,958,130	£79,236	£121,272	£211,734

A significant proportion of the Group CEO's remuneration is appropriately linked to the Company's performance and share price movements, which may fluctuate materially over time. Therefore, to enable a more meaningful comparison to be made, we have also presented a ratio based on base pay plus annual bonus.

Corporate Governance Code requirements

The Directors believe that the principles outlined in Provision 40 of the Corporate Governance Code continue to be met in the operation of the Remuneration Policy. Remuneration arrangements are clearly communicated and straightforward. Incentives are linked to the key performance metrics of sales, profit and cash generation. These measures are aligned throughout the Group's incentive schemes and there is a balance between overall Group performance across all three metrics and each individual local business unit, where relevant. Personal performance is also an element, both in incentives and in salary reviews, but there is an overall link to the achievement of company performance to ensure that the risk of excessive rewards in cases of poor performance is managed. Teamwork is a key strength and cultural aspect for Coats, and incentives are managed to ensure that there is cooperation and flexibility in delivering performance and to ensure that incentive structures do not negatively impact the culture of the organisation.

Although the Company does not formally consult with employees in determining the Remuneration Policy there are several routes by which employee engagement is achieved. Fran Philip is the Designated Non-Executive for Workforce Engagement and is also a member of the Remuneration Committee. During 2024 a programme of meetings was conducted by Fran with business unit leadership teams to discuss a variety of issues of interest to employees. All employees were encouraged to raise any areas of concern, including matters of remuneration, directly or through line managers. Further details of the Board's engagement with the workforce is set out on pages 45 and 74. In addition, during 2024 the Committee considered in-depth for all employees the competitiveness of the remuneration offering, the level of any minimum Living Wage and whether any employees were below this level, the gender profile and pay differentials of the workforce across the main operating countries.

Statement of implementation of Remuneration Policy for 2025

Base salaries for Executive Directors and fees for the Non-Executive Directors will be reviewed on 1 July 2025.

David Paja's current base salary is £720,000, he receives a car allowance of £20,000 and a pension contribution (aligned to the UK workforce) of 12%.

Jackie Callaway's current base salary is £474,705, she receives a car allowance of £15,000 and a pension benefit (aligned to the UK workforce) of 12%.

As set out in our announcement dated 7 January 2025, on appointment as Group CFO Hannah Nichols will receive a base salary of £465,000. She will also receive a car allowance of £15,000 and a pension benefit (aligned to the UK workforce) of 12%.

All Executive Directors also receive private medical insurance, life and income replacement insurance.

In line with the Policy, it is expected that the LTIP award for the Group CEO will be 175% and the maximum annual bonus opportunity will remain 150%.

The role of Group CFO has a maximum bonus opportunity of 125% of salary. Any bonus for Jackie Callaway and Hannah Nichols will be pro-rated to reflect the period served as a Director during the year.

A minimum shareholding requirement of 200% applies during employment and a post-employment shareholding requirement applies to all Executive Directors for two years following termination of employment based on the lower of 100% of the minimum shareholding requirement or the actual shareholding at termination.

Directors' remuneration report cont.

As detailed in the Chair's Introductory Letter, the annual bonus and LITP performance measures were are unchanged relative to 2024, with a slight adjustment to annual bonus weightings, and are as follows:

Annual bonus

Measure	Weighting
Sales	15%
Earnings Before Interest and Taxation Margin	20%
Earnings Before Interest and Taxation	20%
Free Cash Flow	25%
Individual objectives	20%

Long Term Incentive

Measure	Weighting
Earnings Per Share	30%
Three-year Average Cash Conversion	20%
Total Shareholder Return compared to the FTSE 250	25%
Sustainability	25%

Annual bonus targets are based on EBIT, EBIT Margin, Adjusted Free Cash Flow and individual objectives, excluding the impact of any exchange rate fluctuations. The Company does not publish annual bonus targets in advance as these figures are considered commercially sensitive but will do so at the time the bonus award is disclosed.

The Long Term Incentive Plan awards granted in 2025 will be subject to targets that will vest at a level no more than 25% (for each measure) for threshold performance and at 100% (for each measure) for performance at maximum. There will be straight-line between threshold, maximum and any intervening points.

The specific targets for both the annual bonus and Long Term Incentive Plan are set to be challenging by the Committee having regard to internal planning expectations, external expectations for the Company's performance and economic conditions.

As detailed in the Chair's Introductory Letter, it is the Committee's intention to publish the targets in the announcement notifying the market of the grant of the award.

With regard to Hannah Nichols, as part of her recruitment, it was agreed that a buyout award would be granted to compensate for the value forfeit in joining the Company. Details of the buyout award will be set out in next year's Directors' Remuneration Report following the grant of the award. The award will be made over an equivalent value of Coats shares to the value of Hill & Smith shares forfeit on joining. The award will match the time period to vesting and the performance targets applicable to the Hill & Smith awards that Hannah is forfeiting so that the replacement award is no more or less valuable that the award forfeit on joining.

Consideration by the Directors of matters relating to Directors' remuneration

In reviewing remuneration arrangements, the Committee considers the terms and conditions of employees across the Group. In this regard, Fran Philip, as a member of the Committee, is able to provide insight and support from her role as the Designated Non-Executive for Workforce Engagement.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report. The Committee also received assistance from Stuart Morgan (who also acted as Secretary to the Committee), Farnaz Ranjbar (Chief HR Officer) and the Reward function. No Directors are involved in deciding their own remuneration.

The Remuneration Committee receives independent external advice on executive remuneration from Korn Ferry, a member of the Remuneration Consultants Group and signatory to its Code of Conduct, who were appointed as remuneration advisors in 2022. Korn Ferry, who do not have any connection with any Directors of the Company, provide advice to the Remuneration Committee which supports robust and sound decision making. The Remuneration Committee is satisfied that its remuneration advisors act independently. Korn Ferry fees for advising the Remuneration Committee during 2024 were £93,153 (excl VAT).

Statement of voting at the General Meeting

The table below sets out the result of the votes for the latest Directors' Remuneration Report and Remuneration Policy, at the 2024 AGM and 2023 AGM respectively.

	Votes for		Votes against		Votes total	Votes withheld
	Number	%	Number	%	Number	Number
Approval of Remuneration Report (resolution 2)	1,393,057,196	99.49	7,147,109	0.51	1,400,204,305	110,713
Approval of Remuneration Policy (resolution 3)	1,412,457,273	99.74	3,641,947	0.26	1,416,099,220	70,423

Committee performance and effectiveness

The Committee effectiveness in respect of the year ended 31 December 2024 was evaluated internally again this year following an externally facilitated review process undertaken previously, as set out in the 2022 Annual Report. The Committee considered the key points that were identified in previous year's assessment. The 2024 evaluation indicated that the Committee's ways of working and dynamics were working effectively and noted areas they can further enhance their performance in 2025.

Signed on behalf of the Remuneration Committee by:

Echo Lu
Chair, Remuneration Committee

5 March 2025

Remuneration policy report

A summary of the Directors' Remuneration Policy approved by shareholders at the 2023 AGM has been reproduced here. The full Policy approved by shareholders can be found in the Coats plc Annual Report 2022. The summary set out below applies to all Directors who are appointed to the Board during the life of this policy.

Executive Directors' Remuneration Policy table

FIXED REMUNERATION

Purpose and link to strategy	Operation and opportunity
Salary	
To attract and retain the key talent that the Company needs to achieve its objectives.	Salaries for new Executive Directors will be set by the Board taking into account such factors as it determines to be necessary, as discussed above. There is no set maximum salary.
Pension	
To provide a market competitive level of retirement provision.	Executive Directors are entitled to participate in a defined contribution scheme, on a non-contributory basis, with an employer contribution of up to the typical UK workforce (or other relevant local workforce where appropriate) rate which is currently 12% of salary, or will be provided with a cash alternative in lieu of any pension benefits of up to an equivalent value.
Benefits	
To provide a market competitive level of benefits.	Benefit provision to Executive Directors will be determined by the Committee taking into account such factors as it determines to be necessary, with the aim of creating a competitive overall package. There are no set maximum levels. Benefits may include the provision of private medical insurance, ill-health protection and/or life insurance and a cash-for-car allowance. In addition, the Company may provide assistance in connection with the relocation of an Executive Director and, in the event of an international transfer, may provide tax equalisation arrangements. Executive Directors may also participate in any all-employee incentive plan operated by the Company from time to time, up to the same limit for participation as applies for other employees.

VARIABLE REMUNERATION

Purpose and link to strategy	Operation and opportunity	Performance
Annual bonus, Cash bonus and deferral into shares under the rules of the Deferred Bonus Plan		
Annual bonus incentivises key individuals to achieve the objectives of the annual business plan. The deferred element ensures that the final value of the annual incentive is linked to the longer-term value of the Group.	Annual bonuses will be determined by reference to performance, measured over one financial year. The maximum annual bonus that may be awarded to any executive director will be 150% of salary. Any bonuses awarded will be subject to a mandatory deferral which is normally 50% of any bonus earned where the maximum bonus opportunity is 150% of salary and 40% of any bonus earned where the maximum bonus opportunity is below 150% of salary. Deferred bonuses will be transferred into shares, to be held for a three-year retention period, under the terms of the Deferred Bonus Plan. The annual bonus including cash paid or deferred element of the bonus may be subject to malus or clawback. Details of malus and clawback terms are set out below.	The performance measures, weightings and targets for the annual bonus will be set by the Committee on an annual basis. Performance measures will normally include tests of both business and individual performance. The Committee will have the discretion to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company.

Malus & clawback

The Committee may, at any time within three years of a cash bonus payment, LTIP or deferred bonus award vesting, determine that malus and/or clawback shall apply if the Committee determines that:

– there was a material misstatement of the financial statements of the Company upon which the performance targets were assessed, or an erroneous calculation was made in assessing the extent to which performance targets were met;

– the award holder has contributed to serious reputational damage to the Company or one of its business units;

– the award holder's conduct has amounted to serious misconduct, gross negligence, fraud, dishonesty, a breach of the Code of Business Conduct or material wrongdoing; or

– where corporate failure or failure in risk management has occurred.

Remuneration policy report cont.

VARIABLE REMUNERATION cont.

Purpose and link to strategy	Operation and opportunity	Performance
Long Term Incentive Plan		
To incentivise key individuals to achieve key long-term objectives, in line with the Group's long-term strategy. To create alignment between executives and shareholders. To retain key individuals.	Awards will be made annually, conditional on the achievement of three-year performance conditions. Any vested shares will be subject to an additional two-year holding period. Award levels for any Director will be up to a maximum of 175% of salary. Awards may be made to other senior executives within the Group. Larger awards may be made in exceptional circumstances, but in no case to exceed 200% of salary. Awards will be subject to malus and clawback provisions. The malus provisions give the Committee discretion to reduce the level of an award prior to vesting in the event of personal misconduct or if events have happened that caused the Committee to determine the grant level was not appropriate. Details of malus and clawback terms are set out on the previous page.	The performance measures used, the weighting on each measure, the definition of the measures and the performance targets, will be determined by the Committee considering the balance of strategic priorities for the Company for the upcoming three-year performance period. The Committee will be able to reduce vesting levels if it determines the result of the performance targets does not accurately reflect the financial health of the Company. Following grant of an award, the Committee will have power to amend performance measures and targets if events happen that mean they are no longer a fair test of performance, but not so as to make the assessment of performance materially less onerous.

Shareholding requirements

Executive Directors will be required to attain a shareholding, over a five-year period, equivalent to 200% of salary. This requirement will apply for a two year period post termination of employment based on the lower of the in-post requirement and the Executive Director's actual shareholding on termination of employment.

Legacy matters in respect of future Executive Directors

In the event that an executive of the Group is promoted to the Board, the Company retains discretion to honour any existing remuneration commitments. In particular, any long term awards, both cash and share awards, will continue to be capable of vesting on their existing terms. This would include awards previously granted under legacy Group incentive plans. This would also include any awards granted under the Long Term Incentive Plan or Deferred Bonus Plan prior to the individual being appointed as a Director (although it would be intended that any such awards would in any event comply with the Policy as set out above).

Recruitment Policy

When appointing an Executive Director, including a promotion to the Board of an executive from within the Group, the Committee will offer the recruit a remuneration package that it believes is appropriate, taking into account the skills and experience of the individual and the need to attract, retain and motivate individuals of the appropriate calibre. In determining the remuneration package that may be offered to a new Executive Director, the Committee may also take into account external and internal comparisons and relevant market factors, as well as any other factors which the Board determines to be relevant.

External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	Salaries for new appointees will be determined by reference to the relative skills and experience of the individual, the market competitive level of pay in other companies and any other relevant external or internal comparisons.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of private medical insurance, ill-health protection and/or life insurance and a cash- for-car-allowance, and, where appropriate, relocation, international transfer or tax equalisation arrangements.	
Pension	New appointees will receive pension contributions or cash alternative in lieu of any pension benefit.	Currently 12% of salary if UK based
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the personal element will be tailored to each Executive Director. The Committee retains discretion to set different targets for a new Executive Director in the year of appointment to the other Executive Director(s) targets depending on the timing of their appointment.	150% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executive Director's, as described in the policy table.	200% of salary in exceptional circumstances

For external appointment, the Committee may determine that there may be exceptional circumstances where it would be appropriate, in order to secure the right candidate, to compensate for lost awards incurred by an individual as a result of leaving their former employer. In the case of any long term incentive awards, save where such awards are close to vesting, any such award on appointment would normally be granted as a share based award, subject to such vesting and/or performance conditions as the Committee determines

Remuneration policy report cont.

to be appropriate, either under a one-off arrangement or under the terms of the Long Term Incentive Plan. In determining the terms of any such awards, the Committee would take account of the vesting schedule and conditions attached to the forfeited awards, but also other factors that it determines to be relevant, including the need to suitably incentivise and retain the individual during the initial years of their applicable appointment.

Internal promotion

In cases of appointing a new Executive Director by way of internal promotion, the Committee and Board will be consistent with the policy for external appointees detailed above.

Service contracts for Executive Directors

The Committee's policy is for service contracts for Executive Directors to reflect the Committee's understanding of best corporate practice for listed companies. However, in the event that an executive of the Group is promoted to the Board, the Committee may include terms in any new service contract which are consistent with that individual's existing service contract and legacy arrangements.

Subject to this, the key elements of a service contract offered to a UK based Executive Director appointment are:

Incentive plans	Good leavers
Notice period	Contracts are rolling with an indefinite term. The notice period is no more than 12 months (in the case of notice being given by the Company or the Executive Director). An Executive Director may be placed on garden leave during some or all of the notice period.
Payment in lieu of notice (PILON)	Save in circumstances justifying summary termination, employment may be terminated without notice by paying a PILON comprising basic salary and contractual benefits. Subject to any legacy terms, the Company will have discretion to pay on a phased basis, which will normally be subject to mitigation.
Pension	The service contract may include entitlement to pension benefits, subject to the provisions and any limits set out in this Policy and the pension scheme rules or an annual allowance. The entitlement to pension benefits may continue during any notice period.
Benefits	The service contract may include entitlement to other benefits, subject to the provisions and limits set out in this Policy. The entitlement to benefits may continue during any notice period.
Incentive plans	The Executive Director will be eligible to be considered (at the Committee's discretion) to participate in the annual bonus and long term incentive arrangements operated from time to time, subject to the provisions and limits set out in this Policy. The terms of such arrangements would apply in the event of a cessation of office or employment, as set out in the table below.

Service contracts offered to non-UK based, external appointments will generally be in line with the provisions set out above, subject to any local law requirements. All Executive Director letters of appointment are available for inspection at the Company's registered office during normal hours of business, and will also be available at the Company's AGM.

Executive Directors will be able to accept non-executive appointments outside the Company (as long as this does not lead to a conflict of interest) with the consent of the Board, as such appointments can enhance their experience and add value to the Company. Any fees received (excluding positions where the Executive Director is appointed as the Company's representative) may be retained by the Executive Director.

Policy on payment for loss of office of Executive Directors

In the case of an executive of the Group who is promoted to the Board, the terms on cessation of office or employment would be governed by the terms of the individual's existing employment agreement. In addition, the terms of any incentive awards made to the individual prior to being appointed as an Executive Director, and the terms of any pre-existing participation in a pension scheme, would govern the treatment of such arrangements.

The policy that applies to the appointment of any Executive Director is shown below. The remuneration package may include the components of remuneration described below in the Executive Directors' Remuneration Policy table subject to the relevant limits as set out in the following tables.

Notice periods, salary and contractual rights

The notice periods and contractual rights on termination that would be included in a service contract offered to an external recruit are set out above. In addition, the Executive Director would be entitled to accrued but untaken holiday.

In respect of any awards made to an Executive Director under any all-employee share plan, the same leaver conditions will apply as apply in respect of employees generally.

Discretions

In considering the exercise of its discretions under the incentive arrangements, as referred to above, or otherwise in connection with the cessation of office or employment of an Executive Director, the Committee will take into account all relevant circumstances, having regard to their duties as Directors.

In doing so, factors that the Committee may take into account shall include, but not be limited to, considering the best interests of the Company, whether the Executive Director has presided over an orderly handover, the contribution of the Executive Director to the success of the Company during their tenure, the need to ensure continuity, the need to compromise any claims that the Executive Director may have, whether the Executive Director received a PILON and whether, had the Executive Director served out their notice, a greater proportion of the outstanding award may have vested.

Other

The Company may enter into new contractual and financial arrangements with a departing Executive Director in connection with the cessation of office or employment, including (but not limited to) in respect of settlement of claims, confidentiality, restrictive covenants and/or consultancy arrangements, where the Committee determines it necessary or appropriate to do so. Appropriate disclosure of any such arrangement would be made.

Remuneration policy report cont.

Corporate actions

On a corporate action affecting the Company, the rules of the Long Term Incentive Plan and Deferred Bonus Plan will apply. In summary, on a change of control awards will vest, subject to the performance conditions and, unless the Committee determines otherwise, time pro-rating.

Deferred shares awarded under the terms of the Deferred Bonus Plan, which represent deferrals of previously earned bonus, will vest in full. Under the Long Term Incentive Plan and Deferred Bonus Plan, the Committee may determine that a demerger or similar event shall constitute a corporate action.

On a variation of share capital or similar event, the Committee may make such adjustment to awards under the Long Term Incentive Plan and the Deferred Bonus Plan as the Committee considers appropriate.

Incentive plans	Good leavers	Other leavers
Annual bonus	The Company does not consider it appropriate to set defined 'good leaver' and 'bad leaver' conditions in respect of the annual bonus arrangements. Instead, where an Executive Director has ceased to hold office or employment with the Group, or is under notice, other than due to personal misconduct, the Committee will determine whether or not the individual will be eligible to receive any annual bonus. If the Committee determines that a departing Executive Director is eligible to receive a bonus, the amount of the bonus will be assessed by reference to the performance targets set for that financial year. The deferral requirement in respect of any bonus awarded will continue to apply if the Committee so determines. The amount of any bonus will be pro-rated for time, provided that the Committee has discretion to waive time pro-rating.	Where the reason for cessation of office or employment is personal misconduct no bonus will be payable. In other cases, unless the Committee determines that the departing Executive Director is eligible to receive a bonus, no bonus will be payable.
Long Term Incentive Plan	A departing Executive Director will be a 'good leaver' on ceasing employment due to retirement, injury, disability, ill-health, death, redundancy or the sale of a business or subsidiary out of the Group. Awards held by 'good leavers' will normally vest on the normal vesting date (i.e. the third anniversary of grant) to the extent that the performance conditions are met, and be pro-rated for time. Any awards that the Committee determines to have vested will ordinarily be subject to the additional two-year holding period, unless the Committee determines in its discretion to accelerate vesting to the date of cessation. The Committee will also have discretion to waive the time pro-rating requirement.	Unvested awards will lapse in full where the cessation of office or employment is on grounds of personal misconduct. In other cases, the Committee will have discretion to determine that unvested awards will vest (in which case the terms applicable to 'good leavers' will apply). Unless this discretion is exercised, no bonus will be payable.
Deferred Bonus Plan	Unvested deferred shares (which represent deferrals of earned bonus) will vest in full on the normal vesting date (i.e. the third anniversary of grant), provided that the Committee will have discretion to accelerate vesting to the date of cessation.	Where the reason for cessation of office or employment is personal misconduct unvested awards lapse in full.

Non-Executive Directors

The Chair and Non-Executive Directors receive an annual fee (paid in monthly instalments). Non-Executive Directors (excluding the Chair) may also receive an additional fee in respect of travel if over five hours of one-way flight time is required to attend a Board meeting, up to an annual cap. The fee for the Chair is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chair. In determining the appropriate level of fees the Committee and the Chair consider advice from external sources and data on the fee levels in other similar companies. No individual is present when his or her own level of remuneration is discussed.

Remuneration policy report cont.

For Non-Executive Directors, the remuneration arrangements will be in line with those set out in the relevant section below.

Non-Executive Directors' Remuneration Policy table

Element	Purpose and link to strategy	Operation
Fees	To attract and retain a high-calibre Chair and Non-Executive Directors by offering market competitive fee levels.	The Chair is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities and travel (if appropriate). The fee levels are reviewed on a periodic basis and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Additional payments may be made above the basic Board fee if duties significantly exceed expectations.
Supplementary fees		Supplementary fees may be payable to the Senior Independent Director, Chair of the Audit and Risk Committee, and Chair of the Remuneration Committee and the Director responsible for employee engagement.
Travel fees	The Board benefits from the diverse global business experience of its Non-Executive Directors, some of whom do not reside in the UK. However, the increasingly global nature of our business means that our Non-Executive Directors are required to travel. The Board wishes to recognise the additional time commitment required for Non-Executive Directors (excluding Chair) in travelling to Board meetings.	An additional fee may be payable to any Non-Executive Director (excluding the Chair) who is required to travel for more than a specified length of time to attend a Board meeting. The maximum total fees for travel will be subject to an annual cap. For 2024, a travel fee will be payable for any journey longer than five hours of one-way flight time and the maximum fee will be capped at the equivalent of five trips. The length of journey and maximum cap will be reviewed annually to ensure their continued relevance and appropriateness.

No benefits or other remuneration will be provided to Non-Executive Directors. However, in some cases reimbursement of business travel, entertaining and accommodation expenses claimed in accordance with the UK expenses policy may be deemed taxable benefits under UK tax rules. The Company pays the resulting tax liability. In addition, professional fees may be paid to assist a non-UK tax resident Director submit appropriate UK income tax returns; the cost of these fees may be regarded as a taxable benefit.

In determining the level of fees for a new Non-Executive Director, the Committee will take into account all factors it determines to be relevant, including the skills and experience of the individual and the need to attract Non-Executive Directors of the appropriate calibre. The Committee will also take into account the level of fees offered by equivalent companies.

Under their respective Non-Executive Director appointment letters, all of the Non-Executive Directors are entitled to receive an annual fee. None of the appointment letters contains a set term of office. None of the appointment letters contains a notice period. There are no provisions in the Non-Executive Directors' letters of appointment that would give rise to any compensation payments for loss of office.

Removal of the Non-Executive Directors would be governed by the Articles of Association of the Company. All Non-Executive Director letters of appointment are available for inspection at the Company's registered office during normal hours of business, and will also be available at the Company's AGM.

Directors' report

Coats Group plc (Company) is the holding company of the Coats group of companies (Group).

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held on 21 May 2025 at 2.30pm at FTI Consulting, 200 Aldersgate, London EC1A 4HD.

Corporate Governance Statement

Together with this Directors' Report, the Corporate Governance Statement, prepared in accordance with rule 7.2 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, comprises the following sections of the Annual Report: the 'Strategic Report'; the 'Corporate Governance Report'; the 'Audit and Risk Committee Report'; the 'Nomination Committee Report'; and the 'Remuneration Committee Report'. As permitted by legislation, some of the matters required to be included in the Directors' Report have been included in the Strategic Report by cross-reference, including details of the Group's financial risk management objectives and policies, business review, future prospects, stakeholder engagement, Section 172 Statement and environmental policy. The 2018 UK Corporate Governance Code is available from the Financial Reporting Council's website (www.frc.org.uk).

Directors

The names and biographical details of the current Directors are shown on pages 68 to 70 of this Annual Report. Particulars of their emoluments and beneficial and non-beneficial interests in shares are given in the Directors' Remuneration Report on pages 90, 94 and 96 to 97.

The appointment and removal of Directors are governed by the Company's Articles of Association and the Companies Act 2006. The Directors may, from time to time, appoint one or more Directors. In accordance with the provisions of the Code, all Directors will retire and submit themselves for election or re-election at the forthcoming AGM.

Directors' powers

The Board manages the business of the Company under the powers set out in the Company's Articles of Association. These powers include the Directors' ability to issue or buy back shares. Shareholders' authority to empower the Directors to make market purchases of up to 10% of its own ordinary shares is sought at the AGM each year (as set out in the Share Capital section below).

The Company's Articles of Association can only be amended, or new Articles adopted, by a resolution passed by shareholders in a general meeting by at least three quarters of the votes cast. The Company adopted new Articles at the AGM held in May 2021.

In the event that a Director raises any concerns about the operation of the Board or management of the Company that cannot be resolved, a record would be kept in the Board minutes, and this should also be noted in the Director's resignation letter.

Further discussion of the Board's activities, powers and responsibilities appears within the Corporate Governance Report on pages 64 to 76. Information on compensation for loss of office is contained in the Directors' Remuneration Report on page 95.

Directors' indemnities

The Directors of the Company have entered into individual deeds of indemnity with the Company which constitute 'qualifying third-party indemnity provisions' for the purposes of the Companies Act 2006. The deeds indemnify the Directors, and the directors of the Company's subsidiary companies, to the maximum extent permitted by law. The deeds were in force for the whole of the year, or from the date of appointment for those appointed during the year. In addition, the Company had Directors' and Officers' liability insurance cover in place throughout the year.

Share capital

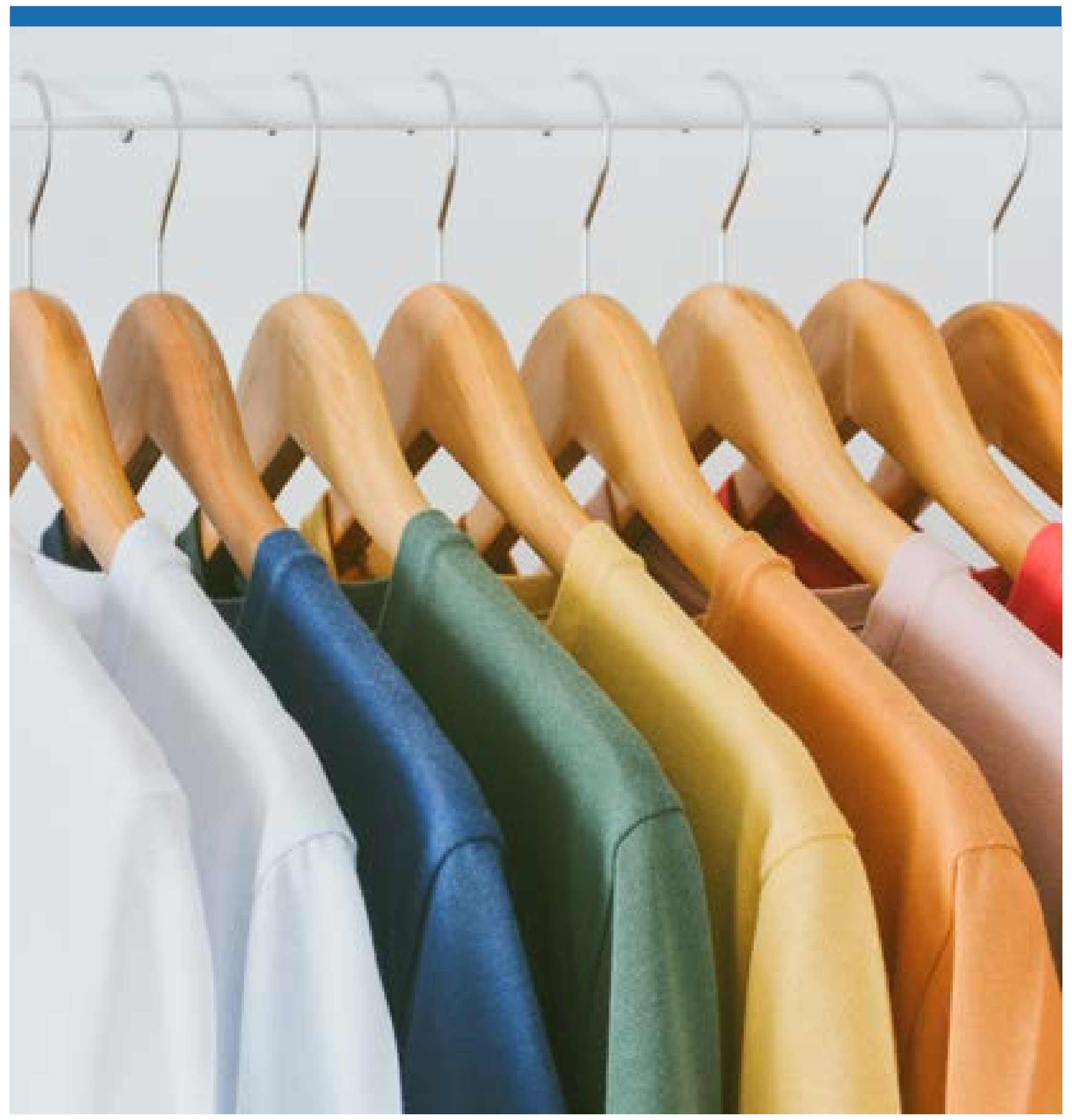
Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26.

The Company has one class of ordinary shares with a nominal value of five pence each (ordinary shares), which does not carry the right to receive a fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions or agreements known to the Company that may result in restrictions on share transfers or voting rights in the Company. There are no specific restrictions on the size of a holding, on the transfer of shares, or on voting rights, all of which are governed by the provisions of the Articles of Association and prevailing legislation. Shareholder authority for the Company to purchase up to 159,781,039 (representing approximately 10% of the Company's issued shares as at the latest practicable date before the publication of the notice of the Annual General Meeting held in May 2024) of its own ordinary shares was granted at the 2024 AGM. No shares were purchased pursuant to this authority during the year.

Shareholder authority for the Company to allot ordinary shares up to an aggregate nominal amount of £53,255,020 was granted at the 2024 AGM. No shares were allotted pursuant to this authority during the year.

The issued share capital of the Company at 31 December 2024 was approximately £79,890,520 divided into 1,597,810,385 ordinary shares.

Since 31 December 2024, 0 new shares have been issued as a result of the exercise of share options by the Company's share option scheme participants and the total issued share capital at 5 March 2025 is 1,597,810,385 ordinary shares. The Company's ordinary shares are listed on the London Stock Exchange. The register of shareholders is held in the UK. The number of ordinary shares of the Company in which the Directors were beneficially interested as at 31 December 2024 is set out in the Directors' Remuneration Report on pages 96 to 97.



Directors' report cont.

Substantial interests

Information provided to the Company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. The following information has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital.

	As at 31 December 2024*	As at 5 March 2025*	Nature of holding
Liontrust Investment Partners LLP	10.01	10.01	Direct
Kempen Capital Management N.V.	7.49	7.49	Indirect
FIL Limited	6.12	6.12	Indirect
M&G Plc	5.30	5.30	Indirect
BlackRock Inc	5.14	5.14	Indirect
Abrdn Plc	5.00	5.00	Indirect

* % holding based on total number of shares in issue at the time of respective notification.

The Company has not been notified of any other substantial interests in its securities. The Company's substantial shareholders do not have different voting rights. The Group, as far as is known by the Company, is not directly or indirectly owned or controlled by another corporation or by any government.

Change of control

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control of the Company following a takeover bid. However, the Group's Revolving Credit Facility Agreement and US Private Placement would terminate upon a change of control of the Company. The Company does not have agreements with any Director or employee providing compensation for loss of office or employment that occurs because of a takeover bid, except for provisions in the rules of the Company's share schemes which result in options or awards granted to employees vesting on a takeover.

Political donations

No contributions were made to political parties during the year (2023: £nil).

Whistleblowing procedure

A whistleblowing, ethics and fraud report is a standing agenda item that is presented quarterly at Board meetings. Coats has a well-publicised whistleblowing procedure, which can be found on our website. This is designed to empower all employees, contractors and anyone else who is aware of, suspects, or is concerned about potential misconduct, illegal activities, fraud, abuse of assets or other violations of Company policy/Ethics Code to report these confidentially via email through the Group ethics channel or via an externally hosted web service whistleblowing hotline. 'Doing the right thing' and ways to raise concerns are regularly communicated and discussed.

During the year ended 31 December 2024, there were 228 whistleblowing concerns raised (2023: 125*). Of these concerns raised, following investigation, 16% (2023: 19%*) of the closed cases were upheld and 7 cases are still under review. In the case of substantiated concerns, disciplinary action, up to and including termination, was taken whenever there was any evidence of misdemeanour, and training and enhanced controls were implemented wherever appropriate.

*2023 figures have been restated in order to enable a like-for-like comparison with 2024, reflecting the categories of investigation undertaken as part of our Speak Up Policy.

Concern is raised via whistleblowing procedure

Acknowledgement is sent to the whistleblower within seven days of receipt of the concern.

↓

The investigation team, independent of the relevant operational business or function, is nominated by the Group Chief Financial Officer, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant GET member.

↓

Allegation is investigated by the nominated team

Findings are presented to the Group Chief Financial Officer, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant GET member to decide appropriate remedial actions and any controls/process enhancements.

↓

The outcome of the investigation is appropriately communicated to the whistleblower once any remedial actions and/or any controls/process enhancements (even in circumstances where the allegation has not been upheld) have been determined.

↓

Reports and outcomes are reviewed by the Board and the Audit and Risk Committee.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chair's statement.

In addition, note 33 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Directors believe that the Group is well placed to manage its business risks successfully.

The Board expects to be able to meet any actual and contingent liabilities from existing resources. Further information on the Group's cash and borrowings is set out in note 30(g).

The Directors are satisfied that the Company and Group have sufficient resources to continue in operation for the period from the date of this report to 30 June 2026.

Accordingly, the Directors consider that the going concern basis of accounting is appropriate for the Company and the Group and the financial statements have been prepared on that basis.

In assessing the Group's going concern position, the Directors have considered a number of factors, including the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of the Group and compliance with borrowing covenants. Further details are provided in note 1 of the accounts.

Directors' report cont.

Results and dividends

The results of the Group are shown on page 124 and movements in reserves are set out in note 27 to the financial statements.

The Board is mindful of the importance of returns to shareholders and is pleased to propose a final dividend of 2.19 cents per share (2023 final dividend: 1.99 cents). Subject to approval at the forthcoming AGM, the final dividend will be paid on 29 May 2025 to ordinary shareholders on the register at 2 May 2025, with an ex-dividend date of 1 May 2025. Alongside the interim dividend of 0.93 cents per share, this makes a total of 3.12 cents per share for the full year 2024.

Greenhouse Gas (GHG) emissions

Absolute emissions for last three years plus 2019 baseline

Thousands of tonnes of CO_2e		2019	2019[6]	2022	2022[6]	2023	2023[6]	**2024**
Scope 1 Direct[2]		73.5		59.6	59.7	51.7	51.9	**52.4**
	Location-based	232.6		201.9	201.8	172.2	172.2	**181.2**
Scope 2 Indirect[3]	Market-based	190.9		122.4	122.3	59.4	59.3	**37.3**
Scope 3 Value Chain[4]		1,060.8	1,009.9	999.2	944.7	882.8	824.2	**865.5**
Biogenic Emissions CO_2[5]		38.2		27.5		24.1		25.7

1. All data is calculated following GHG Protocol guidelines.
2. Direct emissions relate to the use of fuels to generate energy on Group facilities, mainly the use of oil and gas to generate heat in the form of steam for use in processing. On-site generation of electricity using diesel or gas fired generators and the use of diesel, petrol and LPG for on-site transport is also included. The calculation methodology here is to convert fuel purchased in each country to kWh and then to CO_2e equivalent using DEFRA conversion factors; the data is consolidated globally.
3. Indirect emissions relate mainly to the purchase of electricity from third-party suppliers. This is mostly taken from local electricity grids, but does include some on-site generation of electricity or steam from third-party suppliers. The methodology converts the electricity or other purchased energy from kWh to CO_2e using the country level conversion factors published by the International Energy Authority (IEA) for electricity and DEFRA conversion factors for other energy types. This provides the location-based calculation. Market-based calculation deducts any certified renewable energy that is purchased by country and continues to calculate the residue of the energy consumed at the IEA country or DEFRA conversion factors as appropriate. The data is then consolidated globally.
4. Scope 3 value chain emissions cover all other emissions that occur throughout our product and business value chain. This includes the cumulative emissions to produce our raw materials and capital equipment and installations, product and people transport at all stages, downstream processing and consumer use of our sold products and treatment for our waste and our products at the end of their life. The methodology for this varies for each Scope 3 category and follows the GHG Protocol hierarchy of data quality to determine the best available inventory calculation approach. Calculation models are maintained for each individual category and are updated annually as required and consolidated globally.
5. Biogenic emissions cover CO_2 emissions that occur from burning bio-mass for the purposes of steam generation. These CO_2 emissions are excluded from our reported emissions, however the CH_4 and N_20 emissions associated with bio-mass are included in our reported.
6. Scope 3 emissions values up to 2023 have been restated by eliminating the impact associated with Category 11 (Use of sold goods) emissions. This change was requested by SBTi during our recent re-baseline approval process. Minor restatement has been made to Scope 1 & 2 emissions in 2022 and 2023 due to reclassificaion of fuel energy in a single manufacturing location.

Scopes 1 and 2 combined absolute emissions on a market-based approach decreased by 19% between 2023 and 2024, and by 51% between 2022 and 2024. This significant reduction in emissions is primarily attributed to continued acceleration of our energy transition programme, with electricity being transitioned from fossil-fuel to renewable generation methods. In 2024 we increased the proportion of electricity covered by energy attribute certificates (EACs) to 74%, up from 54% in 2023 and 29% in 2022. Additionally, in 2024 we improved our energy intensity (kWh energy per Kg finished goods) by 4% from 2023 through continued delivery of energy efficiency projects across the group.

Scopes 1 and 2 emissions from our UK facilities in 2023 were 307 tonnes CO_2e and represented 0.3% of our global emissions. 100% of our UK emissions were related to our Skelton manufacturing site, which produced footwear structural components, however this facility ceased to operate and consume energy from October 2024.

Emissions Intensity[1]

Greenhouse gas emissions intensity per unit of production

kg CO_2e per kg of finished product	2022	2022[3]	2023	2023[3]	2024
Scopes 1 & 2	1.5		1.1		0.8
Scope 3	8.3	7.8	8.6	8.0	7.7

Greenhouse gas emissions intensity per US$ sales value

tonnes CO_2e per million $ sales	2022	2022[3]	2023	2023[3]	2024
Scopes 1 & 2[2]	118.4		79.7		59.8
Scope 3	649.8	613.7	633.2	590.3	572.9

1. We have used these two ratios for several years. The first uses volume of finished goods production in tonnes (Kilo tonnes used for Scopes 1 & 2 are 2024: 112, 2023: 102, 2022: 120) and hence relates directly to the industrial activity that drives emissions, while the second uses Group turnover and hence relates to overall commercial activity.
2. Figures are calculated on a market basis for Scope 2 emissions.
3. Scope 3 emissions values up to 2023 have been restated by eliminating the impact associated with Category 11 (Use of sold goods) emissions. This change was requested by SBTi during our recent re-baseline approval process.

Our Scopes 1 & 2 volume emissions intensity shows a 26% reduction between 2023 and 2024, and a 47% reduction between 2022 and 2024. This has been delivered primarily due to the positive progress made in transition to renewable indirect energy. Scope 3 volume intensity has reduced by 4% from 2023 to 2024 and reflects positive progress made in transition to non-virgin oil-based materials.

Scope 3 emissions have been restated back to 2019 by eliminating the impact associated with Category 11 (Use of sold products) emissions, with this change being made at the request of the Science Based Targets Initiative (SBTi) during our recent emissions re-baseline approval to incorporate emissions from our 2022 Texon and Rhenoflex footwear components acquisitions.

The overall value intensity for Scopes 1 & 2 emissions reduced by 25% compared to 2023, with the Scope 3 value intensity reducing by 2%.

The difference between the volume and value intensity movements is largely related to movements in price and product mix.

Full details of all reportable greenhouse gas emissions and on the reporting methodology used for the above figures can be found in our online **Sustainability Report**.

Energy Consumption

Million kWh	2022	2023	2024
Direct (Fuels)	311	264	271
Indirect (bought electricity and steam)	446	390	410
Total	756.4	654.4	681.1

1. All years data excludes divestments made during that year. All include acquisition of Footwear Division business units (Texon and Rhenoflex).

Through 2024 we continued our focus on delivering improvements in energy efficiency, with further sites brought on-line with use of our global smart energy metering programme. Energy efficiency initiatives focussed on improved use of natural lighting in factories to reduce artificial illumination requirements, use of invertors to optimise efficiency when running electric motors, and optimisation projects on compressed air generation.

Directors' report cont.

Energy consumption in our UK facilities in 2024 was 2,522MWh and represented 0.4% of global energy consumption.

The following methodology is used for calculating emissions and energy consumption:

Boundary	All emissions from operating companies that are consolidated in the Group financial statements are included. Operational joint ventures are included based on equity share.
Scope 1	Fuel consumption data is collated monthly from all units, based on metered or invoiced consumption converted into kWh. We use DEFRA published gross calorific value conversion factors to standardise emissions.
Scope 2	Electricity or steam purchase volumes are collected from all units monthly. All electricity kWhs are converted using IEA country level conversion factors for the location-based data. For the market-based data certified renewable electricity purchased is not included and the remainder is converted using the same IEA country factors, or country level residual emissions factors where available.
Scope 3	Scope 3 emissions are calculated annually using multiple sources for data (including suppliers, lifecycle assessment data providers and industry data sources). Each category is calculated with the best available set of data sources, and is consistent over the three reported years. Products & Services, Upstream Energy and Transport are the main components of Scope 3 emissions. More detail on methodology is available in our **Sustainability Report** online.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the 2025 AGM.

A statement in respect of the current auditor, Ernst & Young LLP, in accordance with Section 418 of the Companies Act 2006, has been included below.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all reasonable steps to ascertain any relevant audit information and to ensure that the Company's auditor is aware of that information.

Branches

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK. The full list of subsidiary companies can be found from page 201.

Other information

Other information relevant to this Directors' Report, and which is incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 6.6.1, can be located as follows:

This Directors' Report was approved by order of the Board.

On behalf of the Board

Stuart Morgan
Company Secretary

5 March 2025

Directors' report cont.

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 in accordance with Section 10 of FRS 102 and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
– provide additional disclosures when compliance with the specific requirements in FRS 102 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
– 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– state whether United Kingdom adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
– provide additional disclosures when compliance with the specific requirements in United Kingdom adopted international accounting standards 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Directors' 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 Annual Report including, the Strategic Report, includes 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, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 5 March 2025 and is signed on its behalf by:

David Paja
Group CEO
5 March 2025

Independent auditor's report to the members of Coats Group plc

Opinion

In our opinion:

- Coats Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2024 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Coats Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2024	Balance sheet as at 31 December 2024
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flow for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 36 to the financial statements, including material accounting policy information	

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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

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 and parent company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of management's going concern assessment process, including how principal and emerging risks were considered.
- Obtaining the forecast cash flows to 30 June 2026 used by management in its going concern assessment and testing the arithmetical accuracy of the models, verifying inputs against budgets approved by the Board and agreeing the opening net debt to the audited 31 December 2024 consolidated financial statements.
- Evaluating the appropriateness of the duration of the going concern assessment period to 30 June 2026 and considering the existence of any significant events or conditions beyond this period, based on our inquiries of management, Coats Group plc's three-year plan and knowledge arising from other areas of the audit.
- Challenging the reasonableness of the cash flow forecast by performing analysis of management's historical forecasting accuracy and checking for consistency of the forecasts with other areas of the audit, including the impairment assessment and deferred tax asset recognition.
- Evaluating key assumptions used by management in preparing the going concern models and:
  - assessing contrary evidence by considering industry data, key customers' outlook, analyst expectations and information obtained from other areas of the audit;
  - assessing whether assumptions made were reasonable and appropriate, in light of the Group's relevant principal risks and uncertainties and our own independent assessment of those risks;
  - assessing the impact of Coats Group plc's climate commitments on the cash flow forecasts.

Independent auditor's report to the members of Coats Group plc cont.

- Obtaining the Group's existing borrowing facility agreements and:
  - reviewing the refinancing of the revolving credit facility and USPP notes and checking that the terms attached to the new agreements were correctly factored into the going concern models and debt covenant compliance tests;
  - performing an examination of all agreements, to assess their continued availability to the Group throughout the going concern period and to ensure completeness of debt covenants identified by management.
- Assessing the accuracy of management's debt covenants forecast model on the base case, verifying inputs to board approved forecasts and facility agreement terms.
  - evaluating the compliance of the Group with debt covenants in the forecast period by reperforming calculations of the covenant tests;
  - assessing the impact of the downside risk scenarios on debt covenant compliance and performing sensitivity analysis on the remaining headroom.
- Challenging the appropriateness of management's 'reverse stress test' scenario, to understand how severe conditions would have to be to breach liquidity and/or debt covenant compliance and whether the required conditions have no more than a remote possibility of occurring when compared to historical financial performance.
- Assessing management's ability to execute controllable mitigating actions to respond to the downside risk scenarios including the reverse stress test based on our understanding of the Group and the sector.
- Performing an independent reverse stress test to understand the extent of reduction in sales required to breach the compliance of debt covenants.
- Considering whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment including key judgements made and outcomes.

Our key observations

- The directors' assessment forecasts that the Group will maintain sufficient liquidity and covenant compliance throughout the going concern period to 30 June 2026. We observed that in management's base case and in the downside sensitivity scenario's, there is liquidity headroom and covenant compliance without considering any identified controllable mitigations.
- Management also performed a reverse stress test, showing the business was able to withstand a more severe decline in performance. Management considers such a scenario to be remote, and has noted that the impact can be mitigated by implementing actions which are within their control.

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 and parent company's ability to continue as a going concern for the period to 30 June 2026.

In relation to the Group and parent company's reporting on how they have 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditor's report to the members of Coats Group plc cont.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 13 components, full audit procedures on specific balances for a further 8 components and specified audit procedures on specific balances for a further 3 components. – We performed centralised procedures on the following accounts: goodwill, acquired intangibles, borrowings, loan receivable, investment in joint ventures, funded defined benefit obligations, equity (Group and parent company), investment in subsidiaries (parent company), intercompany eliminations and consolidation journals. – In addition to group oversight procedures, we, as the primary team, performed supplementary procedures on certain accounts audited by component auditors being: revenue including rebates, cash and cash equivalents, exceptional and acquisition related items, income tax liabilities, deferred tax assets, deferred tax liabilities and inventories.
Key audit matters	– Revenue recognition (cut-off). – Impairment of assets allocated to the US and Mexico Cash Generating Unit. – Valuation of the UK pension scheme defined benefit obligations and accounting for the buy-in transaction. – Provisions for uncertain tax positions.
Materiality	– Overall Group materiality of $12.0 million which represents 5.0% of adjusted profit before tax. – Parent Company is determined to be $13.5 million which is 1.0% of equity.

An overview of the scope of the parent company and group audits

Tailoring the scope

In the current year our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the components' contribution to Group revenue and profit before tax, the number of significant account balances with associated risk of material misstatements, historical misstatements identified at each component, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We identified 11 components as individually relevant to the Group due to relevant events and conditions underlying the identified risks of material misstatement of the group financial statements being associated with the reporting components or a pervasive risks of material misstatement of the group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the group financial statements being associated with the components.

We then identified 7 components of the Group as individual relevant due to materiality or financial size of the component relative to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the group financial statements. We selected 6 components of the Group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 24 components selected, we designed and performed audit procedures on the entire financial information of 13 components ("full scope components"). For 8 components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components"). For the remaining 3 components, we performed specified audit procedures to obtain evidence for one or more relevant assertions.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report on page 115.

Independent auditor's report to the members of Coats Group plc cont.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor and delegates visit key locations on a rotational basis. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Mexico and Spain. These visits involved understanding the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meeting, reviewing relevant audit working papers on risk areas. The Group audit team interacted regularly with all component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process.

Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we were fully aware of their progress and the results of their procedures. Close meetings for full, specific, and specified audit procedures components (excluding those performed by the primary audit team) were held via video conference in January and February 2025 and were attended by the Senior Statutory Auditor and/or other members of the primary audit team. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be from introduction of carbon taxes, disruption of water supply and extreme weather events (floods and extreme heat). These are explained on pages 182-198 in the required Task Force On Climate Related Financial Disclosures and on pages 50 to 56 in the principal risks and uncertainties. They have also explained their climate commitments on pages 65-66. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in note 1, the basis of preparation, consideration of climate change impact on the judgements in the accounts is not considered to have a material impact at this time. Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of United Kingdom adopted international accounting standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk being appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being the impairment tests of tangible and intangible assets, deferred tax asset recognition and related disclosures.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent auditor's report to the members of Coats Group plc cont.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (Cut-off) $1,501 million (2023: $1,394 million) *Refer to the Audit Committee Report (page 77); Accounting policies (page 135); and Note 3 of the Consolidated Financial Statements (page 139)* There is a potential incentive to overstate revenue for the financial year in order to meet individual or Company financial targets (principally adjusted operating profit and adjusted EPS targets). The process for accounting for revenue transactions at or near the year end contains manual elements and therefore there is opportunity for error (either accidental or with intent). Further, due to the varied incoterms across the Group as well as some export products with longer delivery lead times, there is a risk of revenue being recorded prior to the performance obligations being satisfied.	We performed full or specific audit procedures over this risk area in 13 full scope, 8 specific scope and 3 specified procedure components with material revenue balances, which covered 85% (2023: 80%) of the Group's revenue. Procedures around this risk area are primarily performed at a component level and therefore, form a significant part of our oversight procedures. We instructed our component teams and each of them: – Performed walkthroughs to obtain an understanding of the revenue recognition processes and key controls. – Obtained an understanding of management's cut off assessment at year-end, including the split between export and domestic sales and the delivery lead time assumptions utilised by management. – Tested revenue cut off by obtaining management's sales cut off assessment, where material, and independently tested a sample of transactions therein by vouching to invoices and proof of delivery. – Tested an independent sample of transactions invoiced in the 21 days for the pre- year end period and 7 days for the post year end period. We stratified the population between revenue type and selected our sample based on the following criteria: – Statistical sample of items invoiced within the 14 day prior to the balance sheet date, which we considered to be of higher risk based on average delivery lead times. – We tested our sample by vouching to invoices and third-party evidence (e.g., proof of delivery, bill of lading) to assess whether the performance obligation is satisfied.	We concluded that the revenue recognised at or near year end was properly accounted for and that revenue was appropriately recognised in accordance with the relevant accounting standards. We concluded that management's disclosures in relation to revenue, including disclosed accounting policies, to be appropriate. As part of our procedures, we noted no indication of deliberate or other manipulation of revenue cut-off or management override.

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Independent auditor's report to the members of Coats Group plc cont.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	– Inspected third party evidence (e.g., purchase orders) to test the validity of incoterms and understand the conditions required to satisfy the performance obligations. – Tested a sample of journal entries recorded at or near year end as well as top- side adjustments by verifying to appropriate supporting documentation. – Performed a search for significant post year end credit notes raised up to 21 days from the year- end date to identify any material sales reversal by verifying to appropriate supporting documentation. – With the exception of 2 components, analysed sales-related journal entry data to track sales from revenue through to accounts receivable through to cash collection using data analytics tools. We used this analysis to validate the appropriateness of transaction flows and tested a sample of transactions to determine if the journals accurately reflected the substance of transactions recorded. – For the remaining 2 components, we selected a statistical sample from the entire population of revenue transactions in the year, and vouched to invoices and proof of delivery, to confirm these had been recorded in the correct period. For the remaining entities, constituting the residual 15% of revenue, we performed analytical review procedures and we utilised a combination of data analytical tools and monthly sales data to search for any unusual items and/or activities.	

Independent auditor's report to the members of Coats Group plc cont.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of assets allocated to US and Mexico Cash Generating Unit ('CGU') **(CGU carrying value: $106 million (2023: $142 million)** *Refer to the Audit Committee Report (page 77); Accounting policies (page 132); and Note 14 of the Consolidated Financial Statements (page 156)* This is an area of focus due to the impairment indicator of underperformance of the CGU against plan during the year. The estimation of recoverable amount involves significant judgements including assumptions relating to future cashflows, discount rate, long-term growth rates. In addition, we considered management's new strategy and revised forecasts for the US and Mexico business to be subject to a higher degree of estimation risk.	The procedures described below were performed by the primary team. We validated that management's impairment methodology is consistent with the requirements of IAS 36 Impairment of Assets. In particular, we considered management's new strategy to close the site in Toluca, Mexico, removing the impacted assets from the Cash Generating Unit ('CGU') and valuing these at their Fair Value, less Cost to Sell ('FVLCS'), in line with the requirements of IAS 36. Below we summarise the procedures performed in relation to the key assumptions for the carrying value of the assets allocated to the US & Mexico business CGU: For the assets at the Toluca site, valued using the FVLCS basis, we: – Obtained a breakdown of the carrying value of the assets impacted by the closure of the Toluca site. For each of these we obtained an understanding of how management would recover the fair value of the assets and the potential cost to sell. – For the most significant judgement related to a long-term lease, we made inquiries directly of third-party brokers to validate management's assumptions in relation to expected subletting of the property. For the assets expected to recover their value through continued use in the US & Mexico business, and therefore, valued using a 'Value in Use' (VIU) basis, we: – Understood management's process for the impairment testing and gained an understanding of the controls through a walkthrough of the process management has in place to assess impairment. – Obtained management's value in use model and tested for mathematical accuracy.	Based on our audit procedures we have concluded that no further impairment of the assets in the US & Mexico Cash Generating Unit is required. We have accepted management's impairment conclusion based on the strategic actions taken to date, including the shift to the US, focus on productivity, optimisation and also closure of the Toluca site. We also considered the nature of the remaining asset base in the CGU, noting these to be largely plant & machinery and land and buildings, which have value in their own right and allocation of assets subject to separate valuation assessments. We have concluded appropriate disclosures have been included in the financial statements as required under the accounting standards.

Independent auditor's report to the members of Coats Group plc cont.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	– Engaged EY Valuation specialists to assess the appropriateness of the discount rate, long-term growth rates, and the overall methodology used in the value-in- use model prepared for the purposes of the US & Mexico cash generating unit impairment assessment. – Assessed management's forecasting ability by comparing forecasts to actual results for this year and the prior year. – Understood management's strategy to grow Revenue and EBIT of the remaining business by making inquiries of the Performance Materials and Coats Group Leadership Team and reviewing submission of strategic options to the Board of Directors of Coats Group Plc. – Performed independent research, including expected industry growth rates, to identify contrary information and evaluate assumptions for evidence of management bias. – Reviewed recent actual monthly performance against plan to assess the impact of strategic actions taken by management. – Performed sensitivity analysis over key assumptions underpinning management's forecasts including discount rate, long term growth rate and assumptions relating to revenue and margin growth. We have also assessed the appropriateness of the Group's related disclosures in the consolidated financial statements.	

Independent auditor's report to the members of Coats Group plc cont.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of the UK defined benefit pension obligations and accounting for buy-in transaction– $9.1m (net deficit) (2023: $102.2m (net surplus)) and $242m loss recognised in other comprehensive income as a result of the buy-in. *Refer to the Audit Committee Report (page 77); Accounting policies (page 135); and Note 10 of the Consolidated Financial Statements (page 145)* There is a risk of material misstatement relating to the judgements made by management in valuing the UK pension scheme defined benefit obligations including the use of key model input assumptions, specifically the discount rate, mortality assumption and inflation rate. After the completion of the buy-in during the current year, the UK pension scheme defined benefit obligations are now fully hedged, reducing the overall risk of movements in key assumptions underpinning the pension liability, as any future fluctuations will be offset by corresponding movements in the insurance asset. However, a risk of material misstatement still exists in relation to the one-off buy-in transaction due to its magnitude, complexity and the accounting judgements involved, particularly regarding the recognition of the actuarial loss in OCI instead of the income statement. In the prior year, management identified the key assumptions underpinning the UK pension scheme defined benefit obligations as a key source of estimation uncertainty in Note 1 of the financial statements. Following the completion of the buy-in in the current year, management determined that the UK pension scheme defined benefit obligations are no longer a key source of estimation uncertainty.	The procedures described below were performed by the Primary team: – Understood management's process for valuing the UK pension defined benefit obligation including the completion of the buy-in transaction and gained an understanding of the controls through a walkthrough of the process management has in place. – Engaged internal actuarial specialists to assess the key assumptions applied in determining the pension obligations for the UK pension schemes and the buy-in transaction to conclude on whether the key assumptions are within a reasonable expected range. – Challenged management's key assumptions by reference to illustrative benchmark rates, sensitising for any difference between management's rates and the illustrative benchmark rates. – Benchmarked key assumptions against other listed companies to check for outliers in the data used. – With the assistance of our pension specialists, assessed the impact of the High Court ruling on contracted-out defined benefit pension schemes and evaluated management's progress to date in determining the impact. – Examined the buy-in agreement with Pension Insurance Corporation ("PIC") and supporting schedules to understand the terms of the transaction. – Reviewed bank statements, proof of payment and other supporting evidence to verify the accuracy of the actuarial loss recorded. – Assessed management's accounting treatment of the buy-in transaction, – including the judgement that there is no committed buy-out and that the actuarial loss is appropriately presented in the statement of comprehensive income. – Reviewed the financial statement disclosures related to the UK pension liability and buy-in transaction to ensure they were complete, accurate and in compliance with IAS 19. This included assessing the disclosures regarding the transaction's impact on key source of estimation uncertainty and critical accounting judgements.	From the work performed, we are satisfied that the key assumptions applied in respect of the valuation of the UK scheme liabilities and the accounting applied by management for the buy-in transaction are appropriate. We concluded that the related disclosures in the financial statements are appropriate.

Independent auditor's report to the members of Coats Group plc cont.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Provisions for uncertain tax positions – $26.0 million (2023:$29.3 million) *Refer to the Audit Committee Report (page 77); Accounting policies (page 136); and Note 9 of the Consolidated Financial Statements (page 143)* The Group operates in a number of international jurisdictions, and as a result there is a risk of uncertain tax exposures arising around the Group, as well as heightened risk around estimates in determining the tax effect of cross border transactions including transfer pricing arrangements. The Group is subject to tax authority audits and has a number of open tax enquiries in multiple jurisdictions at any point in time. As a result of this, management are required to exercise judgement in making determinations as to the amount of tax that is payable. The Group has recognised a number of provisions for uncertain tax positions, the valuation of which requires significant assumptions and judgement. We focused on this area due to the complexity,subjectivity, quantification of the provision and the judgement around the trigger for recognition or release.	Our procedures on the uncertain tax position provisions were performed centrally by the Group team supported by subject matter specialists (including UK transfer pricing specialists) and overseas tax teams with expertise in local tax regulations where appropriate. To address the risk, we: – Performed a walkthrough of the tax provisioning process and identifying key controls place noting that they were designed appropriately. We also evaluated the appropriateness of the Group's transfer pricing and uncertain tax provisioning policies. – Met with management to understand the status of all significant matters, including those provided for, and any changes to management's judgements in the year. – Reviewed correspondence with tax authorities and external advisors to inform our assessment of recorded estimates and evaluate the completeness of the provisions recorded. – Independently assessed management's significant assumptions and judgements to record or release provisions following tax audits, settlements and the expiry of statute of limitations. – Tested the accuracy of the calculation of the year end provisions by inspecting underlying documentation and supporting schedules. – Evaluated the adequacy of tax disclosures within the financial statements.	We are satisfied that management's judgements in relation to the provisions for uncertain tax positions are supportable. We consider the disclosures with respect to uncertain tax positions to be appropriate.

In the current year, the following changes have been reflected in our Key Audit Matters ('KAMs'):

– For the year ended 31 December 2023, our auditor's report included a Key Audit Matter in relation to classification of the disposal of the European Zips business as an IFRS 5 discontinued operation. The disposal of the European Zips business was completed in the prior year, with no ongoing impact. Consequently, there is no impact on the current year's results, hence we concluded this no longer represents a Key Audit Matter.

– For the year ended 31 December 2023, our Key Audit Matter on impairment focused on the carrying value of assets in the newly formed Footwear Cash Generating Unit ('CGU'). This is no longer considered a Key Audit Matter given the actual performance of the Footwear division and the available headroom compared to the carrying value of assets in the CGU.

– For the year ended 31 December 2023, our Key Audit Matter regarding the UK pension scheme focused on the assumptions underpinning the defined benefit obligation. In the current year, this Key Audit Matter has been updated to include also the risks associated with the accounting for the buy-in.

Independent auditor's report to the members of Coats Group plc cont.

a. Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $12.0 million (2023: $10.0 million), which is 5.0% (2023: 5.0%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with appropriate measure given the prominence of this metric to investors, shareholders, and management.

We determined materiality for the Parent Company to be $13.5 million (2023: $13.4 million), which is 1.0% (2023: 1.0%) of equity which is the metric the investors and shareholder are most interested in given that the Parent Company holds the investment of the entire Coats Group.

Starting basis

- $172.1 million
- Profit before tax

Adjustments

- Add back $69.8 million for exceptional and acquisition related items

Materiality

- Totals $241.9 million adjusted profit before tax
- Materiality of $12 million (c.5.0% of adjusted profit before tax)

During the course of our audit, we reassessed initial materiality noting that there was an increase compared with the original assessment attributable to the performance and profit before tax of the Group. The underlying basis of materiality was not changed compared with the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2023: 50%) of our planning materiality, namely $9.0 million (2023: $5.0 million). We have set performance materiality at this percentage due to our assessment of the control environment and lower likelihood of misstatements. We set our performance materiality at 50% in the prior year due to it being the first year for which we performed the audit.

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $1.6 million to $2.5 million (2023: $1.0 million to $1.8 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.6 million (2023: $0.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report on pages 1 to 110, including taskforce on climate-related financial disclosures report, Group structure and five-year summary set out on pages 182 to 207, 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 this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Coats Group plc cont.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

– 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

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 or our knowledge obtained during the audit:

– Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 106;
– Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 106;
– Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 57 and 106;
– Directors' statement on fair, balanced and understandable set out on page 79;
– Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50;
– The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 80; and
– The section describing the work of the audit committee set out on page 77.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 110, 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 and 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.

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.

Independent auditor's report to the members of Coats Group plc cont.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom adopted international accounting standards, United Kingdom GAAP, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employees, environmental and bribery and corruption practices.
- We understood how Coats Group plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee, correspondence received from regulatory bodies and information relating to the Group's anti-money laundering procedures as part of our walkthrough procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by and met with finance and operational management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perceptions of analysts. We have determined there is a risk of fraud associated to revenue recognition. We considered the policies, processes and controls that the Group has established to address the risks identified, including the design of controls over revenue recognition. We also considered the controls that the Group has that otherwise prevent, deter and detect fraud, and how senior management monitors these controls. We performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations including providing specific instructions to full scope and specific scope component teams and, where necessary, using our forensic and other relevant specialists. Our procedures included journal entry testing, with a focus on manual journal entries, consolidation journals and journal entries indicating large or unusual transactions using data analytics. We based this testing on our understanding of the business, enquiries of management, including internal audit, legal and other advisors, the company secretary and reading relevant reports. We performed specific searches derived from forensic investigations experience and leveraged our data analytics platform in performing our testing. We have also reviewed the whistleblowing reports issued during the year. Any instances of non-compliance with laws and regulations identified that might have an impact on components were communicated to the component audit teams and considered in our audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 16 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ended 31 December 2023 and 31 December 2024.
- The audit opinion is consistent with the additional report to the audit committee.

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.

Anup Sodhi
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Luton

5 March 2025

Consolidated income statement

Year ended 31 December	Notes	2024 Before exceptional and acquisition related items US$m	2024 Exceptional and acquisition related items (see note 4) US$m	2024 Total US$m	2023 Before exceptional and acquisition related items US$m	2023 Exceptional and acquisition related items (see note 4) US$m	2023 Total US$m
Continuing operations:							
Revenue	2,3	**1,500.9**	**–**	**1,500.9**	1,394.2	–	1,394.2
Cost of sales		**(953.1)**	**(36.8)**	**(989.9)**	(910.9)	(18.2)	(929.1)
Gross profit		**547.8**	**(36.8)**	**511.0**	483.3	(18.2)	465.1
Distribution costs		**(122.3)**	**(1.5)**	**(123.8)**	(115.9)	(2.6)	(118.5)
Administrative expenses		**(155.9)**	**(31.5)**	**(187.4)**	(134.0)	(34.4)	(168.4)
Other operating income		**–**	**–**	**–**	–	5.8	5.8
Operating profit	2,4,5	**269.6**	**(69.8)**	**199.8**	233.4	(49.4)	184.0
Share of profits of joint ventures	16	**1.9**	**–**	**1.9**	1.1	–	1.1
Finance income	6	**3.1**	**–**	**3.1**	4.6	–	4.6
Finance costs	7	**(32.7)**	**–**	**(32.7)**	(33.9)	–	(33.9)
Profit before taxation	5	**241.9**	**(69.8)**	**172.1**	205.2	(49.4)	155.8
Taxation	9	**(70.1)**	**(1.8)**	**(71.9)**	(57.9)	2.9	(55.0)
Profit from continuing operations		**171.8**	**(71.6)**	**100.2**	147.3	(46.5)	100.8
Loss from discontinued operations	31	**–**	**(0.5)**	**(0.5)**	(1.3)	(25.4)	(26.7)
Profit for the year		**171.8**	**(72.1)**	**99.7**	146.0	(71.9)	74.1
Attributable to:							
Equity shareholders of the company		**152.2**	**(72.1)**	**80.1**	127.8	(71.3)	56.5
Non-controlling interests		**19.6**	**–**	**19.6**	18.2	(0.6)	17.6
		171.8	**(72.1)**	**99.7**	146.0	(71.9)	74.1
Earnings per share (cents):	11						
Continuing operations:							
Basic				**5.03**			5.18
Diluted				**4.96**			5.13
Continuing and discontinued operations:							
Basic				**4.99**			3.52
Diluted				**4.93**			3.48
Adjusted earnings per share	36(d)	**9.49**			8.04		

Notes on pages 128 to 178 form part of these financial statements.

Consolidated statement of comprehensive income

Year ended 31 December	2024 US$m	2023 US$m
Profit for the year	**99.7**	74.1
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit schemes (note 10)	**(225.1)**	(70.8)
Tax relating to items that will not be reclassified	**(0.6)**	(0.2)
	(225.7)	(71.0)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(20.4)**	(0.4)
Remeasurement of equity investment at fair value	**–**	(6.7)
	(20.4)	(7.1)
Items reclassified to profit or loss:		
Exchange differences transferred to income statement on sale of business	**–**	6.6
Other comprehensive income and expense for the year	**(246.1)**	(71.5)
Net comprehensive income and expense for the year	**(146.4)**	2.6
Attributable to:		
Equity shareholders of the company	**(165.6)**	(14.3)
Non-controlling interests	**19.2**	16.9
	(146.4)	2.6

Notes on pages 128 to 178 form part of these financial statements.

Consolidated statement of financial position

31 December	Notes	2024 US$m	2023 US$m
Non-current assets:			
Goodwill	13	**120.4**	126.1
Other intangible assets	13	**443.5**	470.7
Property, plant and equipment	14	**226.3**	243.2
Right-of-use assets	15	**68.9**	74.4
Investments in joint ventures	16	**13.7**	12.8
Other equity investments	16	**0.6**	0.9
Deferred tax assets	17	**13.6**	18.0
Pension surpluses	10	**44.0**	148.2
Loan receivable	10	**38.3**	–
Trade and other receivables	19	**25.0**	19.5
		994.3	1,113.8
Current assets:			
Inventories	18	**176.1**	173.5
Trade and other receivables	19	**292.2**	292.0
Pension surpluses	10	**1.5**	1.6
Cash and cash equivalents	30(g)	**146.0**	132.4
Non-current assets classified as held for sale		**0.6**	1.0
		616.4	600.5
Total assets		**1,610.7**	1,714.3
Current liabilities:			
Trade and other payables	21	**(299.2)**	(285.6)
Income tax liabilities		**(49.5)**	(45.5)
Bank overdrafts and other borrowings	23	**(0.2)**	(144.3)
Lease liabilities	15	**(16.6)**	(17.5)
Retirement benefit obligations:			
– Funded schemes	10	**(0.4)**	(0.8)
– Unfunded schemes	10	**(7.5)**	(7.7)
Provisions	25	**(26.5)**	(17.1)
		(399.9)	(518.5)
Net current assets		**216.5**	82.0

31 December	Notes	2024 US$m	2023 US$m
Non-current liabilities:			
Trade and other payables	21	**(7.4)**	(3.2)
Deferred tax liabilities	24	**(58.0)**	(63.9)
Borrowings	23	**(595.1)**	(372.2)
Lease liabilities	15	**(66.6)**	(69.3)
Retirement benefit obligations:			
– Funded schemes	10	**(14.4)**	(2.9)
– Unfunded schemes	10	**(65.6)**	(75.6)
Provisions	25	**(25.1)**	(19.3)
		(832.2)	(606.4)
Total liabilities		**(1,232.1)**	(1,124.9)
Net assets		**378.6**	589.4
Equity:			
Share capital	26	**99.0**	99.0
Share premium account	27	**111.4**	111.4
Own shares	26, 27	**(5.3)**	(6.1)
Translation reserve	27	**(129.7)**	(109.7)
Capital reduction reserve	27	**59.8**	59.8
Other reserves	27	**246.3**	246.3
Retained (loss)/profit	27	**(35.4)**	157.4
Equity shareholders' funds		**346.1**	558.1
Non-controlling interests	27	**32.5**	31.3
Total equity		**378.6**	589.4

David Paja
Group Chief Executive Officer

Jackie Callaway
Group Chief Financial Officer

Approved by the Board 5 March 2025

Company Registration No.103548

Notes on pages 128 to 178 form part of these financial statements.

Consolidated statement of changes in equity

	Share capital US$m	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained (loss)/ profit US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance as at 1 January 2023	99.0	111.4	(0.1)	(116.6)	59.8	246.3	216.7	616.5	34.1	650.6
Profit for the year	–	–	–	–	–	–	56.5	56.5	17.6	74.1
Other comprehensive income and expense for the year	–	–	–	6.9	–	–	(77.7)	(70.8)	(0.7)	(71.5)
Dividends	–	–	–	–	–	–	(40.6)	(40.6)	(19.7)	(60.3)
Purchase of own shares by Employee Benefit Trust	–	–	(10.1)	–	–	–	–	(10.1)	–	(10.1)
Movement in own shares	–	–	4.1	–	–	–	(4.5)	(0.4)	–	(0.4)
Share based payments	–	–	–	–	–	–	7.0	7.0	–	7.0
Balance as at 31 December 2023	99.0	111.4	(6.1)	(109.7)	59.8	246.3	157.4	558.1	31.3	589.4
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**80.1**	**80.1**	**19.6**	**99.7**
Other comprehensive income and expense for the year	**–**	**–**	**–**	**(20.0)**	**–**	**–**	**(225.7)**	**(245.7)**	**(0.4)**	**(246.1)**
Dividends (see notes 12 and 27)	**–**	**–**	**–**	**–**	**–**	**–**	**(46.5)**	**(46.5)**	**(18.0)**	**(64.5)**
Purchase of own shares by Employee Benefit Trust	**–**	**–**	**(8.7)**	**–**	**–**	**–**	**–**	**(8.7)**	**–**	**(8.7)**
Movement in own shares	**–**	**–**	**9.5**	**–**	**–**	**–**	**(8.6)**	**0.9**	**–**	**0.9**
Share based payments	**–**	**–**	**–**	**–**	**–**	**–**	**7.9**	**7.9**	**–**	**7.9**
Balance as at 31 December 2024	**99.0**	**111.4**	**(5.3)**	**(129.7)**	**59.8**	**246.3**	**(35.4)**	**346.1**	**32.5**	**378.6**

Notes on pages 128 to 178 form part of these financial statements.

Consolidated statement of cash flows

Year ended 31 December	Notes	2024 US$m	2023 US$m
Cash inflow from operating activities:			
Cash generated from operations	30(a)	**196.7**	217.3
Interest paid	30(b)	**(31.5)**	(33.7)
Taxation paid	30(c)	**(69.4)**	(59.7)
Net cash generated by operating activities		**95.8**	123.9
Cash outflow from investing activities:			
Investment income	30(d)	**1.0**	0.6
Net capital expenditure and financial investment	30(e)	**(24.0)**	(19.7)
Disposals of businesses	30(f)	**–**	(1.2)
Loan made to UK pension Scheme	30(a)	**(38.3)**	–
Net cash absorbed in investing activities		**(61.3)**	(20.3)
Cash inflow/(outflow) from financing activities:			
Purchase of own shares by Employee Benefit Trust		**(8.7)**	(10.1)
Dividends paid to equity shareholders		**(46.2)**	(40.3)
Dividends paid to non-controlling interests		**(18.0)**	(19.7)
Payment of lease liabilities		**(19.2)**	(18.5)
Repayment of term loan acquisition facility	30(g)	**–**	(240.0)
Issue of senior notes	30(g)	**248.7**	248.6
Repayment of senior notes	30(g)	**(125.0)**	–
Net decrease in other borrowings		**(28.0)**	(67.0)
Net cash generated from/(absorbed in) financing activities		**3.6**	(147.0)

Year ended 31 December	Notes	2024 US$m	2023 US$m
Net increase/(decrease) in cash and cash equivalents		**38.1**	(43.4)
Net cash and cash equivalents at beginning of the year		**111.5**	157.7
Foreign exchange losses on cash and cash equivalents		**(3.8)**	(2.8)
Net cash and cash equivalents at end of the year	30(g)	**145.8**	111.5
Reconciliation of net cash flow to movements in net debt			
Net increase/(decrease) in cash and cash equivalents		**38.1**	(43.4)
Repayment of term loan acquisition facility	30(g)	**–**	240.0
Issue of senior notes	30(g)	**(248.7)**	(248.6)
Repayment of senior notes	30(g)	**125.0**	–
Net decrease in other borrowings		**28.0**	67.0
Change in net debt resulting from cash flows (free cash flow)	36(e)	**(57.6)**	15.0
Net movement in lease liabilities during the year		**1.0**	17.5
Movement in fair value hedges		**(1.6)**	(1.2)
Other non-cash movements		**(2.2)**	(1.5)
Foreign exchange losses		**(1.2)**	(0.9)
(Increase)/decrease in net debt		**(61.6)**	28.9
Net debt at the start of the year		**(470.9)**	(499.8)
Net debt at the end of the year	30(g)	**(532.5)**	(470.9)

Notes on pages 128 to 178 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

The following are the principal accounting policies adopted in preparing the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The principal accounting policies adopted by the Group are set out in this note to the consolidated financial statements. Certain of the Group's accounting policies inherently rely on subjective assumptions and judgements, such that it is possible over time the actual results could differ from the estimates based on the assumptions and judgements used by the Group. Due to the size of the amounts involved, changes in the assumptions relating to the following policies could potentially have a significant impact on the result for the year and/or the carrying values of assets and liabilities in the consolidated financial statements.

Critical judgements in applying the Group's accounting policies

In the course of preparing the financial statements, the critical judgement set out below has had a significant effect on the amounts recognised in the financial statements for the year ended 31 December 2024.

Exceptional and acquisition related items

Judgement is used to determine those items which should be separately disclosed as exceptional and acquisition related items to provide valuable additional information for users of the financial statements in understanding the Group's performance. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities. Please see note 4 for further details.

This critical accounting judgement made by management in applying the Group's accounting policies also applied to the consolidated financial statements for the year ended 31 December 2023.

In addition, in the course of preparing the financial statements for the year ended 31 December 2023, critical accounting judgements were made by management in relation to the recognition of the surplus in the UK pension scheme and discontinued operations. These were not critical accounting judgements which had a significant effect on the amounts recognised in the financial statements for the year ended 31 December 2024.

Discontinued operations

In management's judgement the European Zips business which was sold in August 2023 represented a separate major line of business and therefore its results for 2023 were presented as a discontinued operation.

Judgement is used by the Group in assessing whether a disposal of a business represents a disposal of a separate major line of business considering the facts and circumstances of each disposal. In determining whether a disposal represents a separate major line of business, the Group considers both quantitative and qualitative factors.

If the Group had concluded that the disposal of the European Zips business did not represent a discontinued operation, the Group's revenue and operating profit before exceptional and acquisition related items from continuing operations for the year ended 31 December 2023 would have been $1,419.5 million and $232.1 million respectively.

Key sources of estimation uncertainty

There are no sources of estimation uncertainty at the 31 December 2024 balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

At 31 December 2023 key assumptions were made in the determination of UK pension scheme defined benefit obligations which represented a key source of estimation uncertainty. These key assumptions were discount rates, beneficiary mortality and inflation rates. Changes in any or all of these assumptions could have materially changed scheme liabilities. However, as set out in note 10, as a result of buy-ins, all the financial and demographic risks relating to the UK pension scheme's liabilities are fully hedged at 31 December 2024. Future changes in scheme liabilities due to movements in discount and inflation rates would have fully offsetting impacts from the buy-in assets. Accordingly, the net UK pension amount recognised in the consolidated statement of financial position will not change in the future as a result of changes in any or all of these assumptions.

Other areas of estimation uncertainty

Other areas of estimation uncertainty include the assumptions used in determining the value in use for the US and Mexico cash generating unit ("CGU"). A change in key revenue and margin growth assumptions could result in a change in the assessed recoverable amount of the CGU. The impact of sensitivities on key assumptions are set out in note 13.

Notes to the financial statements cont.

1 Principal accounting policies cont.

a) Accounting convention and format

The Group's financial statements for the year ended 31 December 2024 have been prepared in accordance with United Kingdom adopted international accounting standards and with the requirements of the Companies Act 2006, and complies with the disclosure requirements of the Listing Rules of the UK Financial Conduct Authority. The financial statements are prepared under the historical cost convention except for investments and derivatives which are stated at fair value and retirement benefit obligations which are valued in accordance with IAS 19 Employee Benefits.

Except for the changes arising from the adoption of new accounting standards, interpretations and amendments (as detailed in note 1), the same accounting policies, presentation and methods of computation have been followed in these consolidated financial statements as applied in the Group's annual financial statements for the year ended 31 December 2023.

b) Basis of preparation

Subsidiaries

Subsidiaries are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. The effective date is when control passes to or from the Group. Control is achieved when the Group has the power over the investee and is exposed, or has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in determining the existence or otherwise of control. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by the Group.

Where subsidiaries are not 100% owned by the Group, the share attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests are identified separately from the Group's equity, and may initially be measured at either fair value or at the non-controlling interests' share of the fair value of the subsidiary's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Changes in the Group's interests in subsidiaries, that do not result in a loss of control, are accounted for as equity transactions. Where control is lost, a gain or loss on disposal is recognised through the consolidated income statement, calculated as the difference between the fair value of consideration received (plus the fair value of any retained interest) and the Group's previous share of the former subsidiary's net assets. Amounts previously recognised in other comprehensive income in relation to that subsidiary are reclassified and recognised through the income statement as part of the gain or loss on disposal.

Discontinued operations

On 30 June 2023 the Group entered into an agreement to sell its European Zips business to Aequita, a German family office. The sale was completed on 31 August 2023, the date which control passed to the acquirer. The exit from the European Zips business was in line with Coats' previously announced strategic initiatives to optimise the Group's portfolio and footprint, and improve the overall cost base efficiency. The results of the European Zips business were presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023. Note 31 provides further details of the sale.

Joint ventures

Joint ventures are entities in which the Group has joint control, shared with a party outside the Group. The Group reports its interests in joint ventures using the equity method.

Going concern

The Directors are satisfied that the Group and the Company has sufficient resources to continue in operation for the period from the date of this report to 30 June 2026. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements. In assessing the Group's going concern position, the Directors have considered a number of factors, including the current balance sheet position and available liquidity, the current trading performance as set out in the Full Year Results Overview section of the Chief Executive's Review included in the 2024 Annual Report, the principal and emerging risks which could impact the performance of the Group and compliance with borrowing covenants.

In order to assess the going concern status of the Group management has prepared:

– A base case scenario, aligned to the latest Group budget for 2025 as well as the Group's updated Medium Term Plan for 2026;
– A downside scenario has been prepared, which assumes that the global economic environment is depressed over the assessment period. This scenario assumes trading below 2024 levels, this scenario is considered to be severe but plausible given the current uncertain global macro-economic and geo-political environment; and
– A reverse stress test flexing sales to determine what circumstance would be required to either reduce headroom to nil on committed borrowing facilities or breach borrowing covenants, whichever occurred first.

As more fully described in the Outlook section on page 8, the Directors anticipate, based on current market conditions and normalised customer buying behaviour, another year of financial and strategic progress in 2025, in line with market expectations. The severe but plausible downside scenario includes further management actions that would be deployed if required (for example further reduction in costs).

Notes to the financial statements cont.

1 Principal accounting policies cont.

The reverse stress test noted an implausible decrease in trading performance, with revenues almost 30% below the base case, would be required. The test also includes further controllable management actions that could be deployed if required (for example no bonus payments, reduced discretionary costs and significantly reduced capital expenditure). The outcome of the reverse stress test was that the leverage covenant would be breached, however, at the breaking point in the test the Group still maintained sufficient liquidity on committed borrowing facilities. The Directors consider the likelihood of the condition in the reverse stress test occurring to be remote on the basis that the Group has not experienced such a decline historically.

Liquidity headroom

As at 31 December 2024 the Group's net debt (excluding IFRS 16 leases liabilities) was $449.3 million (2023: $384.1 million). The Group's committed debt facilities total $1,020 million across its Banking and US Private Placement group, with a range of maturities from August 2027 through to 2034. As of 31 December 2024 the Group had around $420 million of headroom against these committed banking facilities. In each scenario liquidity headroom exists throughout the assessment period.

Covenant testing

The Group's committed borrowing facilities are subject to ongoing covenant testing. Covenants are measured twice a year, at full year and half year on a twelve month rolling basis and are measured under frozen accounting standards and therefore exclude the effects of IFRS 16. The financial covenants under the borrowing agreements are for leverage (net debt / EBITDA) to be less than 3.0 and interest cover (EBITDA / interest charge) to be in excess of 4.0. All banking covenants tests were met at 31 December 2024, with leverage of 1.6x and interest cover of 11.4x. The base case forecast indicates that banking covenants will be met throughout the assessment period. Under the severe but plausible downside scenario covenant compliance is still projected to be achieved throughout the assessment period.

Conclusion

In conclusion, after reviewing the base case, the severe but plausible downside scenario and considering the remote likelihood of the scenario in the reverse stress test occurring, the Directors have formed the judgement that, at the time of approving the consolidated financial statements, there are no material uncertainties that cast doubt on the Group's and the Company's going concern status and that it is appropriate to prepare the consolidated financial statements on the going concern basis for the period from the date of this report to 30 June 2026.

c) Functional currency

The functional currency of Coats Group plc the company continued to be United States dollars (USD) during the year ended 31 December 2024.

d) Foreign currencies

Foreign currency translation

The Group's presentation currency is USD. Transactions of companies within the Group are recorded in the functional currency of that company. Currencies other than the functional currency are foreign currencies.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the period end. All currency differences on monetary items are taken to the consolidated income statement with the exception of currency differences that represent a net investment in a foreign operation, which are taken directly to equity until disposal of the net investment, at which time they are recycled through the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

Group companies

Assets and liabilities of subsidiaries whose functional currency is not USD are translated into the Group's presentation currency at the rates of exchange ruling at the period end and their income statements are translated at the average exchange rates for the year.

The exchange differences arising on the retranslation since 1 January 2004 are taken to a separate component of equity. On disposal of such an entity, the deferred cumulative amount recognised in equity since 1 January 2004 relating to that particular operation is recycled through the consolidated income statement. Translation differences that arose before the date of transition to IFRS in respect of all such entities are not presented as a separate component of equity.

Goodwill and fair value adjustments arising on acquisition of such operations are regarded as assets and liabilities of the particular operation, expressed in the currency of the operation and recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates.

Notes to the financial statements cont.

1 Principal accounting policies cont.

The principal exchange rates (to the US dollar) used in preparing these financial statements are as follows:

		2024	2023
Average	Sterling	**0.78**	0.80
	Euro	**0.92**	0.92
	Chinese Renminbi	**7.20**	7.08
	Indian Rupee	**83.66**	82.56
	Turkish Lira*	**32.82**	23.79
Period end	Sterling	**0.80**	0.79
	Euro	**0.97**	0.91
	Chinese Renminbi	**7.30**	7.10
	Indian Rupee	**85.55**	83.19
	Turkish Lira	**35.34**	29.48

* Cumulative inflation rates over a three-year period exceeded 100% in Turkey in May 2022 and since then Turkey is considered as hyperinflationary. As a result, IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied. In accordance with IAS 29, the financial statements of the Company's subsidiary in Turkey are translated into the Group's US Dollar presentational currency at the year end exchange rate. Monetary assets and liabilities are not restated. All non-monetary items recorded at historical rates are restated for the change in purchasing power caused by inflation from the date of initial recognition to the year end balance sheet date. The income statement of the Company's subsidiary in Turkey is adjusted for inflation during the reporting period. A net monetary gain of $0.3 million for the year ended 31 December 2024 (2023: $2.3 million) was recognised within finance income on non-monetary items held in Turkish Lira. The inflation rate used is the consumer price index published by the Turkish Statistical Institute, TurkStat. The movement in the price index for the year ended 31 December 2024 was 44% (2023: 65%).

e) Operating segments

Operating segments are components of the Group about which separate financial information is available that is evaluated by the Coats Group plc Group Executive Team in deciding how to allocate resources and in assessing performance. See note 2 for further details.

f) Operating profit

Operating profit is stated before the share of results of joint ventures, investment and interest income, finance costs and foreign exchange gains and losses from financing activities.

g) Exceptional and acquisition related items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. Exceptional items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of property, plant and equipment, non-actuarial gains or losses arising from significant one-off changes to defined benefit pension obligations, regulatory investigation costs and impairment of assets. Acquisition related items include amortisation of acquired intangible assets, acquisition transaction costs, contingent consideration linked to employment and adjustments to contingent consideration. Please see note 4 for further details on why management consider these items to be exceptional.

Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, materiality is a key consideration and qualitative factors, such as frequency or predictability of occurrence, are also considered. This is consistent with the way financial performance is measured by management and reported to the Board.

h) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairments.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Notes to the financial statements cont.

1 Principal accounting policies cont.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years to 100 years
Leasehold improvements	10 years to 50 years or over the term of the lease if shorter
Plant and equipment	3 years to 20 years
Vehicles and office equipment	2 years to 10 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end.

i) Business combinations and Intangible assets

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are recognised in the consolidated income statement, as incurred, in operating costs.

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 for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are 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 as of 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 of one year.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is recognised as an asset and tested for impairment at least annually. Any impairment is recognised immediately in the income statement. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. CGUs represent the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Negative goodwill is recognised immediately in the income statement.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The estimated useful lives (other than Coats Brand) are as follows:

Brands and trade names	5 years to 20 years
Technology	4 years to 10 years
Customer relationships	9 years to 15 years

The useful life of the Coats Brand is considered to be indefinite.

Other intangibles

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated useful lives of up to 5 years.

Intellectual property, comprising trademarks, designs, patents and product development which have a finite useful life, are carried at cost less accumulated amortisation and impairment charges. Amortisation is calculated using the straight-line method to allocate the cost over the assets' useful lives, which vary from 5 to 10 years.

The amortisation charge for both acquired and other intangibles assets is included within the distribution costs and administrative expense lines in the consolidated income statement.

Impairment of property, plant and equipment, right-of-use assets and intangible assets excluding goodwill

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Notes to the financial statements cont.

1 Principal accounting policies cont.

An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the 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 which the estimates of future cash flows have not been adjusted. For the purposes of assessing impairment, assets are measured at the CGU level.

Research and development

All research costs are expensed as incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following conditions are met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development costs can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

j) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as assets with a value of US$5,000 or less when new). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

k) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant financial instrument.

Notes to the financial statements cont.

1 Principal accounting policies cont.

Financial assets

(i) Investments in equity securities

Investments in equity securities are recognised and derecognised on a trade date basis and are initially measured at fair value, plus directly attributable transaction costs and are remeasured at subsequent reporting dates at fair value, with movements recorded in other comprehensive income. Listed investments are stated at market value. Unlisted investments are stated at fair value based on directors' valuation, which is supported by external experts' advice or other external evidence.

(ii) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits maturing in less than three months. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iii) Trade and other receivables

Trade receivables are recognised at fair value (which ordinarily reflects the invoice amount) and carried at amortised cost, less an allowance for expected lifetime losses as permitted under the simplified approach in IFRS 9. Fully provided balances are not written off from the balance sheet until the Group has decided to cease enforcement activity.

Financial liabilities

(i) Trade payables

Trade payables are not interest-bearing and are recognised at fair value, and measured subsequently at amortised cost.

(ii) Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of direct issue costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised over the period of the relevant liabilities. Financial liabilities designated as hedged items in a fair value hedge are subsequently measured at fair value.

(iii) Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument, and this amount is recorded as a liability at amortised cost. The equity component is the fair value of the compound instrument as a whole less the amount of the liability component, and is recognised in equity, net of income tax effect, without subsequent remeasurement.

(iv) Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates.

The use of financial derivatives is regulated by the Board or that of the relevant operating subsidiary in accordance with their respective risk management strategies. Changes in values of all derivatives of a financing nature are included within finance costs in the income statement.

Derivative financial instruments are initially measured at fair value at contract date and are remeasured at each reporting date.

The Group designates hedging instruments as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of interest rate risk are accounted for as fair value or cash flow hedges.

At the inception of each hedge transaction the issuing entity documents the relationship between the hedging instrument and the hedged item and the anticipated effectiveness of the hedge transaction, and monitors the ongoing effectiveness over the period of the hedge. Hedge accounting is discontinued when the issuing entity revokes the hedging relationship, the hedge instrument expires, is sold, exercised or otherwise terminated, and the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the income statement from that date.

(v) Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recognised immediately through the income statement, together with any changes in the fair value of the related hedged items due to changes in the hedged risks. On discontinuation of the hedge the adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised through the consolidated income statement from that date.

Notes to the financial statements cont.

1 Principal accounting policies cont.

(vi) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. Once the related hedged item is recognised in the income statement, the amounts deferred in equity are recycled through the consolidated income statement. The gain or loss arising from any ineffective portion of the hedge is recognised immediately through the consolidated income statement.

(vii) Hedges of net investments in foreign operations

Gains and losses on hedging instruments relating to the effective portion of such hedges are recognised through the translation reserve, and recycled through the consolidated income statement on disposal of the respective foreign operations. The gain or loss arising from any ineffective portion of such hedges is recognised immediately through the consolidated income statement.

l) Revenue

Revenue comprises the fair value of the sale of goods and services, net of sales tax and discounts and rebates, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised in revenue at a single point in time when control of the goods has been transferred to the buyer. The point in time at which control is deemed to have transferred varies depending on the commercial terms agreed with the buyer.

(ii) Sales of services

Sales of services are recognised in the period in which the services are rendered, as follows:

- Software implementation and licensing income – performance obligations are satisfied over a period of time and therefore revenue is recognised by reference to the stage of completion at the period end. The Group uses labour hours expended to assess the stage of completion as it is deemed to be the most appropriate basis to measure progress.
- Maintenance income – performance obligations are satisfied evenly over a fixed period of time and therefore revenue is recognised on a straight line basis over the maintenance period.

Advances received from customers are included within contract liabilities.

(iii) Income from sales of property

Income from sales of property is recognised on completion when legal title of the property passes to the buyer.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials are valued at cost on a first-in, first-out basis.

The costs of finished goods and work in progress include direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving and defective inventories.

n) Employee benefits

(i) Retirement and other post-employment obligations

For retirement and other post-employment benefit obligations, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period by independent actuaries.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the consolidated statement of financial position with a charge or credit to the consolidated statement of comprehensive income in the period in which they occur. Remeasurement recorded in the consolidated statement of comprehensive income is not recycled.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the consolidated income statement. The net interest expense on pension plans' liabilities and the expected return on the plans' assets is recognised within finance expense in the consolidated income statement.

In addition, pension scheme administrative expenses including the Pension Protection Fund (PPF) levy and actuary, audit, legal and trustee charges are recognised as administrative expenses.

The retirement benefit and other post-employment benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes (net of taxes) or reductions in future contributions to the schemes and refunds expected from the schemes to fund other Group defined benefit schemes, in accordance with relevant legislation.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements cont.

1 Principal accounting policies cont.

(ii) Share-based compensation

Cash-settled

Cash-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities.

Equity-settled

The Group operates an equity-settled Long Term Incentive Plan for executives and senior management. Awards under this Plan are subject to both market-based and non-market-based vesting criteria.

The fair value at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. The fair value is charged to the consolidated income statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected vesting for non-market-based performance conditions and forfeitures. The corresponding credit is to equity shareholders' funds.

To satisfy awards under this Plan, shares may be purchased in the market by an Employee Benefit Trust over the vesting period.

(iii) Non-share-based long-term incentive schemes

The anticipated present value cost of non-share-based incentive schemes is charged to the consolidated income statement on a straight-line basis over the period the benefit is earned, based on remuneration rates that are expected to be payable.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the period end are discounted to present value.

o) Taxation

The tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and 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 that have been enacted by the period end.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxation is measured on a non-discounted basis. The following temporary differences are not provided for: goodwill not deducted for tax purposes, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying values of deferred tax assets are reviewed at each period end.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

p) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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 profit or loss in the period in which they become receivable.

Notes to the financial statements cont.

1 Principal accounting policies cont.

q) 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 prepare 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.

r) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments 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 borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from an insurer, a receivable is recognised as an insurance reimbursement asset and included separately within other receivables if it is virtually certain that reimbursement from the insurer will be received and the amount of the receivable can be measured reliably.

s) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

t) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

u) Assets held for sale and discontinued operations

Non-current assets and businesses which are to be sold (disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount is expected to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when such a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met, and such assets are no longer depreciated.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that is part of a single coordinated plan to sell. Once an operation has been identified as discontinued, or is reclassified as discontinued, the comparative information in the Income Statement is restated.

v) Climate change

In preparation of the consolidated financial statements, consideration has been given to the impact of climate change on the Group's key accounting policies, estimates and judgements. As noted in the Taskforce on Climate-related Financial Disclosures (TCFD) on pages 182-198 we are exposed to specific transitional and physical climate related risks. The key areas in the consolidated financial statements that were identified for consideration of potential impacts from these climate related risks were the assumptions used to support impairment reviews of cash generating units (CGUs) and accounting policies on estimated useful lives of tangible fixed assets.

(i) Impairment of assets

The key climate related risks considered were the introduction of carbon taxes, disruption of water supply and extreme weather events (floods and extreme heat). These risks as well as any potential mitigations were considered when assessing the appropriateness of the assumptions used to project future cash flows to support the value in use of a CGU. No specific significant financial impacts relating to climate related risks were identified in relation to the CGUs that were subject to an impairment review during the year ended 31 December 2024 (see note 13). In addition, no significant short to medium term (pre 2045) climate related impacts have been identified for individual assets or other CGUs in the Group.

Notes to the financial statements cont.

1 Principal accounting policies cont.

(ii) Fixed asset useful lives

Consideration was given as to whether the impact of physical risks relating to extreme weather events (e.g. flood risk damage) may require a reassessment of the estimated useful lives of fixed assets. As noted in the physical risks section in our TCFD disclosures, no significant impacts are currently expected in the short to medium term (pre 2045), after which point the majority of the Group's current fixed asset portfolio will be fully depreciated. As such, the reassessment of fixed asset useful lives to reflect potential impacts of climate change was not deemed necessary.

In light of the above, the Group's current assessment is that the climate related risks detailed in the TCFD disclosures section of the Annual Report do not have a material impact on the key accounting policies, estimates and judgements that form the basis of these consolidated financial statements.

New IFRS accounting standards, interpretations and amendments adopted in the year

During the year, the Group has adopted the following standards, interpretations and amendments:

– Non-current Liabilities with Covenants and classification of Liabilities as Current or Non-current (Amendments to IAS 1);
– Lease liability in a Sale and Leaseback (Amendments to IFRS 16); and
– Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

The adoption of these standards has not had a material impact on the financial statements of the Group.

New IFRS accounting standards and interpretations not yet adopted

The following published standards and amendments to existing standards, which have not yet all been endorsed by the UKEB, are expected to be effective as follows:

From the year beginning 1 January 2025:

– Lack of Exchangeability (Amendments to IAS 21).

From the year beginning 1 January 2026:

– Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7.
– Annual Improvements to IFRS Accounting Standards – Volume 11.

From the year beginning 1 January 2027:

– IFRS 18 Presentation and Disclosure in Financial Statements.
– IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, although the full assessment is not complete.

2 Segmental analysis

Operating segments are components of the Group's business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Group Executive Team) in deciding how to allocate resources and in assessing performance.

The Group's customers are grouped into three segments Apparel, Footwear and Performance Materials which have distinct different strategies and differing customer/end-use market profiles. The Footwear Division consists of the footwear thread business and the acquired structural components businesses, Texon and Rhenoflex.

This is the basis on which financial information is reported internally to the chief operating decision maker (CODM) for the purpose of allocating resources between segments and assessing their performance.

a) Segment revenue and results

Year ended 31 December 2024	Apparel US$m	Footwear US$m	Performance Materials US$m	Total US$m
Continuing operations				
Revenue	**769.8**	**403.5**	**327.6**	**1,500.9**
Segment profit	**150.6**	**94.8**	**24.2**	**269.6**
Exceptional and acquisition related items (note 4)				**(69.8)**
Operating profit				**199.8**
Share of profits of joint ventures				**1.9**
Finance income				**3.1**
Finance costs				**(32.7)**
Profit before taxation from continuing operations				**172.1**

Notes to the financial statements cont.

2 Segmental analysis cont.

Year ended 31 December 2023	Apparel US$m	Footwear US$m	Performance Materials US$m	Total US$m
Continuing operations				
Revenue	689.4	368.4	336.4	1,394.2
Segment profit	120.4	84.1	28.9	233.4
Exceptional and acquisition related items (note 4)				(49.4)
Operating profit				184.0
Share of profits of joint ventures				1.1
Finance income				4.6
Finance costs				(33.9)
Profit before taxation from continuing operations				155.8

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Exceptional and acquisition related items are not allocated to segments. In addition, no measures of total assets and total liabilities are reported for each reportable segment as such amounts are not regularly provided to the chief operating decision maker.

b) Geographic information

	Revenue by origin		Revenue by destination		Non-current assets	
Year ended 31 December	**2024 US$m**	2023 US$m	**2024 US$m**	2023 US$m	**2024 US$m**	2023 US$m
Europe, Middle East & Africa (EMEA)						
UK	**29.2**	29.8	**9.1**	12.5	**263.1**	258.7
Rest of EMEA	**273.1**	295.5	**236.7**	257.2	**160.9**	182.3
Americas						
USA	**124.4**	141.9	**130.6**	155.9	**29.9**	37.6
Rest of Americas	**110.0**	104.4	**116.4**	99.6	**45.1**	62.0
Asia & Rest of World						
India	**173.6**	163.4	**173.3**	162.1	**38.9**	34.6
China and Hong Kong	**276.9**	228.4	**242.0**	192.5	**259.3**	277.6
Vietnam	**232.1**	198.4	**213.7**	173.5	**34.8**	34.7
Other	**281.6**	232.4	**379.1**	340.9	**66.4**	60.2
	1,500.9	1,394.2	**1,500.9**	1,394.2	**898.4**	947.7

Non-current assets excludes derivative financial instruments, investments, pension surpluses, pension loan receivable and deferred tax assets.

3 Revenue

An analysis of the Group's revenue is as follows:

Year ended 31 December	**2024 US$m**	2023 US$m
Goods transferred at a point in time	**1,489.6**	1,385.1
Software solutions services transferred over time	**11.3**	9.1
	1,500.9	1,394.2
Other operating income	**–**	5.8
Finance income	**3.1**	4.6
	1,504.0	1,404.6

The software solutions business is included in the Apparel segment.

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Notes to the financial statements cont.

3 Revenue cont.

Disaggregation of revenue

The following table shows revenue disaggregated by primary geographic markets which reconciles with the Group's reportable segments:

Year ended 31 December	2024 US$m	2023 US$m
Continuing operations:		
Asia	**964.2**	822.6
Americas	**234.4**	246.3
EMEA	**302.3**	325.3
	1,500.9	1,394.2
Continuing operations:		
Apparel	**769.8**	689.4
Footwear	**403.5**	368.4
Performance Materials	**327.6**	336.4
	1,500.9	1,394.2

The Group had no revenue from a single customer which accounts for more than 10% of the Group's revenue.

4 Exceptional and acquisition related items

The Group's consolidated income statement format is presented before and after exceptional and acquisition related items. Adjusted results exclude exceptional and acquisition related items on a consistent basis with the previous reporting period to provide valuable additional information for users of the financial statements in understanding the Group's performance and reflects how the performance of the business is managed and measured on a day-to-day basis. Further details on alternative performance measures are set out in note 36.

Exceptional items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of property, plant and equipment, non-actuarial gains or losses arising from significant one off changes to defined benefit pension obligations, regulatory investigation costs and impairment of assets. Acquisition related items include amortisation of acquired intangible assets, acquisition transaction costs, contingent consideration linked to employment and adjustments to contingent consideration.

Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, are presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, materiality is a key consideration and qualitative factors, such as frequency or predictability of occurrence, are also considered. This is consistent with the way financial performance is measured by management and reported to the Board.

Total exceptional and acquisition related items charged to profit before taxation from continuing operations for the year ended 31 December 2024 were $69.8 million (2023: $49.4 million) comprising exceptional items for the year ended 31 December 2024 of $45.2 million (2023: $27.9 million) and acquisition related items for the year ended 31 December 2024 of $24.6 million (2023: $21.5 million). Taxation in respect of exceptional and acquisition related items is set out in note 9.

Exceptional items

Exceptional items charged/(credited) to profit before taxation from continuing operations during the year ended 31 December 2024 are set out below:

Year ended 31 December	2024 US$m	2023 US$m
Exceptional items:		
Strategic project costs/(income):		
– Cost of sales	**21.5**	18.2
– Distribution costs	**1.0**	1.3
– Administration costs	**4.3**	9.1
	26.8	28.6
– Other operating income – profit on sale of property	**–**	(5.8)
	26.8	22.8
Costs to deliver Footwear acquisitions integration synergies:		
– Distribution costs	**0.5**	1.3
– Administration costs	**0.8**	0.2
	1.3	1.5
Costs relating to rightsizing North America Yarns footprint:		
– Cost of sales	**15.3**	–
Lower Passaic River non-cash impairment charge:		
– Administration costs	**–**	3.6
UK pension scheme costs:		
– Administration costs	**1.8**	–
Total exceptional items charged to profit before taxation from continuing operations	**45.2**	27.9

Notes to the financial statements cont.

4 Exceptional and acquisition related items cont.

Strategic project costs/(income) – Strategic project initiatives commenced during 2022 to optimise the Group's portfolio and footprint and improve the overall cost base efficiency. During the year ended 31 December 2024 the Footwear division continued with the optimisation of its footprint with the expansion of operations in Indonesia and the closing of facilities in the UK and Germany, which had been acquired in 2022 through the Texon acquisition. Further site reorganisation activities continued in the Americas to deliver operating efficiencies and, in India, further optimisation activities were completed. These strategic project activities have been largely concluded.

As a result of the above activities, exceptional restructuring costs totalling $26.8 million were incurred during the year ended 31 December 2024 (2023: $28.6 million) which included:

- severance and related employee costs of $6.6 million (2023: $14.8 million);
- non-cash impairment charges of property, plant and equipment and right-of-use assets of $8.0 million (2023: $5.5 million); and
- site related costs, legal and advisor fees and other restructuring costs of $12.2 million (2023: $8.3 million).

During the year ended 31 December 2024 profit from the sale of land and buildings as part of strategic projects was $nil (2023: $5.8 million). Strategic project costs net of income from sale of property for the year ended 31 December 2024 were $26.8 million (2023: $22.8 million).

Costs to deliver Footwear acquisitions integration synergies – During the year ended 31 December 2024 exceptional costs of $1.3 million (2023: $1.5 million) were charged to the profit and loss account relating to the integration of the Texon and Rhenoflex businesses, which were acquired in 2022. These costs to deliver integration synergies has resulted in the Footwear Division now being one customer-facing organisation with an integrated back office. The exceptional costs primarily relates to severance and related employee costs. These integration synergy initiatives are now largely completed.

Costs relating to rightsizing North America Yarns footprint – In December 2024, the Group announced the closure of its Performance Materials site in Toluca, Mexico. The Group concluded that volume expectations when the site was originally planned and launched will not materialise due to structural market changes and that it can serve its North America yarns customers more efficiently from a single site in the US. As a result of the above, costs totalling $15.3 million relating to Toluca have been charged in the year ended 31 December 2024 which includes severance and related employee costs of $0.6 million, non-cash impairment charges of property, plant and equipment and right-of-use leased assets of $9.7 million and closure, decommissioning costs, advisor and other related costs of $5.0 million. In addition, in connection with the closure of the Performance Materials site in Toluca intangible assets relating to North America Yarns businesses acquired in 2017 and 2020 were fully impaired. This resulted in non-cash impairment charges totalling $3.0 million of which $2.6 million related to goodwill and $0.4 million related to other acquired intangible assets. The total impairment charge relating to these acquired intangible assets of $3.0 million is included within acquisition related items (see below).

Lower Passaic River non-cash impairment charge – A non-cash exceptional impairment charge of $3.6 million was made for the year ended 31 December 2023 relating to the full amount of an insurance asset that had previously been recognised for the expected partial recovery of future remediation costs and associated legal and professional costs in connection with the Lower Passaic River legacy environmental matter. The impairment charge was recognised for accounting purposes because at the end of 2023 the insurer was placed into liquidation. This is without prejudice to any future claims against the insurer in the liquidation proceedings.

UK Pension Scheme costs – In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a £1.3 billion bulk annuity policy ("buy-in") purchase from Pension Insurance Corporation plc, which insures the remaining 80% of UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the scheme's liabilities are now fully hedged. This buy-in represents a significant step in Coats fully insuring its UK pension obligations. During the year ended 31 December 2024 following the buy-in, a provision for estimated administration costs relating to the UK pension scheme of $8.5 million has been made and was charged to the profit and loss account. In addition an exceptional past service credit of $6.7 million has been recognised in the profit and loss account as a result of adjustments made to member benefits during the year ended 31 December 2024. As a result, the overall exceptional charge relating to the UK pension scheme recognised in the profit and loss account in the year ended 31 December 2024 was $1.8 million.

Acquisition related items

Acquisition related items are set out below:

Year ended 31 December	2024 US$m	2023 US$m
Acquisition related items:		
Administrative expenses:		
Acquired intangibles assets – amortisation and impairment charges	**24.6**	21.5
Total acquisition related items charged to profit before taxation from continuing operations	**24.6**	21.5

Amortisation and impairment charges of intangible assets acquired through business combinations are not included within adjusted operating profit and adjusted earnings per share. These costs are acquisition related and management consider them to be capital in nature and are not included in profitability measures by which management assess the performance of the Group. Excluding amortisation and impairment charges of intangible assets acquired through business combinations and recognised in accordance with IFRS 3 "Business Combinations" from adjusted results also ensures that the performance of the Group's acquired businesses is presented consistently with its organically grown businesses. It should be noted that the use of acquired intangible assets contributed to the Group's results for the years presented and will contribute to the Group's results in future periods as well. Amortisation of acquired intangible assets will recur in future periods. Amortisation of software is included within operating results as management consider these cost to be part of the trading performance of the business.

Notes to the financial statements cont.

5 Profit for the year (including discontinued operations)

Year ended 31 December	2024 US$m	2023 US$m
Profit for the year is stated after charging/(crediting):		
Amortisation and impairment of intangible assets	**26.2**	22.9
Depreciation of owned property, plant and equipment	**25.4**	27.0
Depreciation of right-of-use assets	**18.0**	18.8
Impairment of property, plant and equipment and other assets	**18.9**	9.4
Profit on disposal of property, plant and equipment	**(2.4)**	(5.9)
Fees charged by EY LLP		
Group audit fees:		
– Fees payable for the audit of the Company's annual accounts	**1.9**	2.1
– Fees payable for the audit of the Company's subsidiaries	**1.4**	1.8
Fees payable to the Company's auditor in respect of non-audit related services[1]	**0.5**	0.6
Total fees charged by EY LLP	**3.8**	4.5
Research and development expenditure	**5.7**	6.5
Expected credit losses	**3.6**	1.6
Net foreign exchange (gains)/losses	**(2.8)**	4.4
Rental income from land and buildings	**(0.1)**	(0.1)
Inventory as a material component of cost of sales	**602.3**	585.4
Inventory write-downs to net realisable value	**5.9**	5.1

1. Includes assurance services provided by EY in relation to the Sustainability Report and the interim results review.

6 Finance income

Year ended 31 December	2024 US$m	2023 US$m
Income from investments	**0.3**	0.1
Net monetary gain arising from hyperinflation accounting (see note 1)	**0.3**	2.3
Other interest receivable and similar income	**2.5**	2.2
	3.1	4.6

7 Finance costs

Year ended 31 December	2024 US$m	2023 US$m
Interest on bank and other borrowings	**31.3**	30.3
Interest expense on lease liabilities	**5.2**	5.6
Net interest on pension scheme assets and liabilities	**(4.2)**	(4.4)
Other finance costs including unrealised gains and losses on foreign exchange contracts	**0.4**	2.4
	32.7	33.9

8 Staff costs

The average monthly number of employees was:

Year ended 31 December	2024	2023
Continuing operations:		
Manufacturing	**12,970**	12,635
Other staff	**2,908**	2,904
	15,878	15,539
Discontinued operations[1]	**–**	457
Total number of employees	**15,878**	15,996
Comprising:		
UK	**75**	220
Overseas	**15,803**	15,319
	15,878	15,539
The total numbers employed at the end of the year were:		
UK	**90**	199
Overseas	**15,952**	15,203
Total number of employees	**16,042**	15,402

1. The 2023 average number of employees for the discontinued European Zips business are for the period until disposal on 31 August 2023 (see note 31).

Notes to the financial statements cont.

8 Staff costs cont.

Year ended 31 December	2024 US$m	2023 US$m
Employee aggregate remuneration comprised (including directors):		
Wages and salaries	**270.2**	261.4
Social security costs	**28.1**	25.9
Other pension costs (note 10)	**6.0**	6.4
	304.3	293.7
Discontinued operations	**–**	12.5
	304.3	306.2

9 Tax on profit from continuing operations

Year ended 31 December	2024 US$m	2023 US$m
Current tax charge	**(72.6)**	(64.0)
Deferred tax credit	**0.7**	9.0
Total tax charge	**(71.9)**	(55.0)

The current tax charge includes withholding tax charges for the year ended 31 December 2024 of $16.7 million (2023: $10.2 million) including withholding taxes arising from the repatriation of earnings and payment of intra-group charges mainly to the United Kingdom. The United Kingdom current corporation tax charge at 25% (2023: 23.5%) was $nil for the year ended 31 December 2024 and 2023.

For the year ended 31 December 2024 the tax charge in respect of exceptional and acquisition related items was $1.8 million (2023: credit of $2.9 million). This includes exceptional tax credits of $1.1 million (2023: $2.3 million) in connection with the exceptional strategic projects, an exceptional deferred tax charge on writing down deferred tax assets in Mexico of $7.2 million (2023: $nil) and an exceptional tax credit totalling $4.3 million (2023: $0.6 million) relating to the unwinding of deferred tax liabilities on the amortisation of acquired intangible assets which in 2023 included the impact of tax rate differences.

The tax charge for the year can be reconciled as follows:

	2024			2023			
Year ended 31 December	Adjusted US$m	Exceptional and acquisition related items US$m	Total US$m	Adjusted US$m	Exceptional and acquisition related items US$m	Other adjustments[1] US$m	Total US$m
Profit before tax	**241.9**	**(69.8)**	**172.1**	200.8	(49.4)	4.4	155.8
Expected tax charge/ (credit) at the UK statutory rate of 25% (2023: 23.5%)	**60.5**	**(17.5)**	**43.0**	47.2	(11.6)	1.0	36.6
Differences between overseas and UK taxation rate	**(6.7)**	**0.9**	**(5.8)**	(7.7)	–	–	(7.7)
Non-deductible expenses	**2.3**	**3.4**	**5.7**	7.9	8.7	(1.0)	15.6
Non-taxable income	**(1.8)**	**(0.1)**	**(1.9)**	(2.5)	–	(0.2)	(2.7)
Local tax incentives	**(2.3)**	**–**	**(2.3)**	(0.4)	–	–	(0.4)
Utilisation of unrecognised deferred tax assets	**(1.0)**	**–**	**(1.0)**	(3.3)	–	–	(3.3)
Potential deferred tax assets not recognised	**6.8**	**15.1**	**21.9**	9.8	–	–	9.8
Prior year adjustments	**(2.9)**	**–**	**(2.9)**	(2.8)	–	–	(2.8)
Withholding tax on remittances (net of double tax credits)	**15.2**	**–**	**15.2**	9.9	–	–	9.9
Income tax charge/ (credit)	**70.1**	**1.8**	**71.9**	58.1	(2.9)	(0.2)	55.0
Effective tax rate	**29%**	**(3)%**	**42%**	29%	6%	5%	35%

1. In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a bulk annuity policy ("buy-in"), which insures the remaining 80% of the UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the UK pension scheme's liabilities are now fully hedged (see note 10). The Group no longer adjusts net interest on pension scheme assets and liabilities in arriving at the adjusted effective tax rate as volatility in this interest for the Coats UK pension scheme has now been eliminated. This is the basis on which management now monitors and manages the effective tax rate. For the year ended 31 December 2023 and prior periods, net interest on pension scheme assets and liabilities was adjusted in arriving at the adjusted effective tax rate. The adjusted effective tax rate for the year ended 31 December 2023 would have been 28% if the same basis of calculation used for the year ended 31 December 2024 had been applied.

Notes to the financial statements cont.

9 Tax on profit from continuing operations cont.

The Group's adjusted effective tax rate is higher than the blended rate of the countries we operate in primarily due to the impact of unrecognised tax losses and the impact of withholding taxes on the repatriation of earnings and payment of intra-group charges to the UK.

Excluding exceptional and acquisition related items, the adjusted effective rate on pre-tax profits was 29% (2023: 29%).

Pillar Two

For the year ended 31 December 2024 the tax charge in the income statement related to Pillar Two income taxes was $1.2 million (2023: $nil). This current tax charge mainly relates to profits earned in Honduras, Hungary and Singapore, which either have statutory tax rates of less than 15% or where the Group is able to take advantage of a tax holiday. The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes for the current financial year.

Uncertain tax positions

The Group's tax liability includes a number of tax provisions, which together total $26.0 million (2023: $29.2 million). The decrease in the year is primarily due to the settlement of an audit in Indonesia ($3 million). These provisions relate to management's estimate of the amount of tax payable on open tax returns yet to be agreed with the local tax authorities.

The final outcome on resolution of open issues with the relevant local Tax Authorities may vary significantly due to the uncertainty associated with such tax items and the continual evolution and development of local Tax Authorities. There is a wide range of possible outcomes and any variances in the final outcome to the provided amount will affect the tax financial results in the year of agreement.

The amount provided for uncertain tax positions has been made using the best estimate of the tax expected to be ultimately paid, taking into account any progress on the discussions with local Tax Authorities, together with expert in-house and third-party advice on the potential outcome and recent developments in case law, Tax Authority practices and previous experience.

Taxation paid

During the year the Group made Corporate Income Tax payments in respect of continuing operations (including withholding and dividend distribution taxes) of $69.4 million (2023: $59.7 million). The amount of tax paid in each jurisdiction is as follows:

Year ended 31 December	2024 US$m	2023 US$m
UK	**16.0**	8.2
Vietnam	**12.4**	12.3
Indonesia	**6.6**	11.0
Hong Kong	**6.8**	4.4
India	**5.5**	4.1
China	**4.8**	1.9
USA	**3.2**	1.7
Others (26 countries each less than $2.5 million)	**14.1**	16.1
Total Corporate Income Tax paid	**69.4**	59.7

The taxes paid in the UK are withholding taxes on royalties, group charges and dividends, deducted and paid at source. In the year ended 31 December 2024 the Group paid withholding taxes of $16.8 million (2023: $9.9 million).

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements

a) Pension and other post-employment costs

Pension and other post-employment costs charged to operating profit for the year (continuing and discontinued operations) were:

	Year ended 31 December 2024 US$m	Year ended 31 December 2023 US$m
Defined contribution schemes	**2.8**	3.1
Defined benefit schemes – funded and unfunded schemes	**3.2**	3.3
Past service credit	**(6.4)**	(0.4)
Settlements	**–**	0.3
Administrative expenses for defined benefit schemes	**11.9**	4.6
	11.5	10.9

Included in the above table is a net exceptional charge relating to the UK pension scheme of $1.8 million (see note 4). This consists of a provision for estimated administration costs relating to the UK pension scheme of $8.5 million, offset by an exceptional past service credit of $6.7 million which arose due to adjustments made to member benefits during the year ended 31 December 2024.

b) Defined contribution schemes

The Group operates a number of defined contribution plans around the world to provide pension benefits.

c) Defined benefit schemes

The Group operates various defined benefit pension and other post-employment arrangements in most of the countries in which it operates. The most significant defined benefit pension schemes are the Coats UK Pension Scheme and the Coats North America Pension Plan (US Plan), both of which are closed to future accrual.

Coats UK Pension Scheme

The Coats UK Pension Scheme ("the Scheme") is administered by a trustee. Its assets are held in funds that are legally separated from the Group and are subject to UK legislation with oversight from the Pensions Regulator. It was formed in 2018 by bringing together three historic UK schemes, the last of which closed to future accrual in 2016. The trustee board is composed of representatives of both the Group and scheme members together with two independent trustees. The trustee board is required by law and the Scheme's rules to act in the interest of the Scheme's members and other stakeholders (for example the Group).

The sponsor of the Scheme is Coats Limited and the Company provides a guarantee to the Scheme.

The trustee board is responsible for setting the Scheme's investment policy following consultation with the wider Group.

Cash funding commitments

The Scheme is subject to full actuarial valuations every three years using assumptions agreed between the trustee board and the wider Group. The purpose of this valuation is to design a cash funding plan to ensure that the pension scheme has sufficient assets available to meet the future payment of benefits to Scheme members. It is this funding valuation basis, not accounting valuations under IAS 19, that determines the cash funding the Group provides to the Scheme. The next triennial valuation will be as at 31 March 2027.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

The valuation of liabilities for funding purposes differs from the IAS 19 valuation used for accounting purposes, mainly due to the different actuarial assumptions used but also due to differences in market conditions between valuation dates (31 March 2024 for funding valuations vs 31 December 2024 for IAS 19). Whilst there are some specific differences relating to discount rates, in the round the assumptions used to calculate the funding valuation liabilities (the "Technical Provisions") are required to be set prudently, given this drives cash funding contributions, whereas the assumptions used under IAS 19 are required to be the Group directors' best estimate of future experience. Taking two of the main assumptions as examples:

– Discount rates: For the Technical Provisions valuation this is set using a relatively cautious expectation of future returns on the Scheme's assets, a significant portion of which are liked to UK gilts, whilst under the IAS 19 accounting valuation this is set using high-quality (AA rated) corporate bond yields with no linkage to actual investment strategy the Scheme has. At the current time this typically means IAS 19 discount rates are higher than Technical Provisions discount rates and so deliver a lower IAS 19 liability figure.
– Mortality: The Technical Provisions valuation, with the requirement for prudence, assumes Scheme members live longer than the IAS 19 account valuation, where the requirement is to assume best estimate of future life expectancy. This therefore delivers a lower IAS 19 liability figure.

The funding deficit has evolved significantly over the last 5-10 years. In 2015 the estimated total funding deficit across the three historic UK schemes was just under £600 million. Significant Group contributions and strong investment performance have helped reduce this to a broadly fully funded position.

In December 2024, the Group and the trustee board agreed the latest funding valuation of the Scheme with an effective date of 31 March 2024. This showed a funding surplus of £20 million ($25 million at 31 December 2024 exchange rates) and therefore no deficit repair contributions are payable.

Buy-ins

Pensioner buy-in

In December 2022, the trustee board purchased a circa £350 million bulk annuity policy from Aviva, which insures all the benefits payable in respect of around 3,700 pensioner members (a "pensioner buy-in"). This policy saw all financial and demographic risks, including those related to longevity, covered for approximately 20% of Scheme members.

Additional buy-in

In September 2024, the trustee board purchased a circa £1.3 billion bulk annuity policy from Pension Insurance Corporation plc ("PIC"), which insures all the benefits payable in respect of the remaining 80% of the scheme's liabilities. As a result of the buy-in, all the financial and demographic risks relating to the scheme's liabilities are now fully hedged. This buy-in represents a significant step in Coats' fully insuring its UK pension obligations.

The agreement with PIC required up to c.£100 million ($128 million) of additional funding from the Group, with Coats making a £70 million ($90 million) upfront cash contribution to the scheme and a further £30 million ($38 million) provided initially as a loan to the Scheme. As the insurance premium for the purchase of the PIC policy was higher than the pension liabilities measured on an IAS 19 basis, an actuarial loss arose, which for the year ended 31 December 2024 totalled $224.9 million (2023: $72.3 million). This has been recognised in the consolidated statement of comprehensive income and includes a provision for the estimated costs relating to completion of the buy-in transaction of $6.8 million.

At 31 December 2024 the loan receivable from the UK pension scheme including accrued interest was $38.3 million (2023: $nil). The loan is due for repayment on 4 September 2029 or on winding up of the UK Pension Scheme, whichever is earlier, or at an earlier date if agreed between the parties. The interest rate on the loan is SONIA (Sterling Over Night Indexed Average) plus 150 basis points per annum. The loan was made to the UK pension scheme in connection with the premium payable to PIC in respect of the buy-in transaction and provides the UK pension scheme with cash until certain long-term assets are realised. The loan is expected to be recovered in full on or before 4 September 2029.

The two bulk annuity policies are assets of the Scheme and form part of the total Scheme assets disclosed below. Under IAS 19 it is deemed a qualifying insurance policy, due to it exactly matching the amount and timing of benefits payable by the Scheme to the covered members. Under IAS 19, the value of the bulk annuity policy is therefore set equal to the corresponding IAS 19 liabilities for covered members; not the premium paid.

Coats North America Pension Plan

The Coats North America Pension Plan (Coats US) is a defined benefit scheme, the assets of which are held in funds that are legally separated from the Group. In 2019 the Group agreed to amend the Plan to close to new hires from 1 January 2020, and to cease future accrual for current employees from 1 January 2022.

Overall Group position

The UK and US schemes represent around 95% of the Group's total defined benefit obligations. Both these schemes are pre-funded, whereas the majority of the Group's other arrangements (most significantly in Germany) are unfunded and benefits are met on an ongoing basis by the Group. The overall balance sheet position for the Group in respect of the retirement and other post-employment defined benefit arrangements on an IAS 19 basis, was a net deficit of $4.1 million as at 31 December 2024, excluding a loan payable by the Coats UK Pension Scheme to the Group of $38.3 million. Including the loan of $38.3 million as a liability of the Coats UK Pension Scheme payable to the Group, the net deficit for the Group's retirement and other post-employment defined benefit, on an IAS 19 basis, was $42.4 million as at 31 December 2024.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

The following disclosures are required in accordance with the requirements of IAS 19 and do not include information in respect of schemes operated by joint ventures. The information provided below for defined benefit plans has been prepared by independent qualified actuaries based on the most recent formal actuarial valuations of the schemes (effective at 31 March 2024 and 1 January 2024 for the UK and US respectively), updated to take account of the valuations of assets and liabilities as at 31 December 2024.

i) Principal risks

The Group is exposed to actuarial and investment risks, the principal risks are:

Risk	Description	Commentary
Interest rate risk	The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to bond yields. A decrease in bond yield rates will increase defined benefit obligations.	The impact of the movement in discount rates are shown on page 152. The Trustees of the UK and US schemes hedge these sensitivities through physical bonds, derivatives and insurance policies. The buy-ins for the Coats UK Pension Scheme means this risk is fully hedged in the UK.
Inflation	The present value of the defined benefit liabilities are calculated by reference to assumed future inflation rates. An increase in inflation rates will increase defined benefit obligations.	The impact of the movement in inflation rates are shown on page 152. The Trustees of the UK and US schemes hedge these sensitivities through physical bonds, derivatives, real assets and insurance policies. The buy-ins for the Coats UK Pension Scheme means this risk is fully hedged in the UK.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of member life expectancies. An increase in life expectancy will increase liabilities.	The impact of an increase in life expectancy is shown on page 152. The buy-ins for the Coats UK Pension Scheme means this risk is fully hedged in the UK.
Investment risk	The scheme assets are shown on a mark-to-market basis. A decrease in asset values at a relevant measurement date, to the extent assets do not hedge liabilities, would lead to an increased disclosed deficit or reduced surplus.	The UK funded scheme's bought in status means investment risk is carried on the illiquid assets still held whilst awaiting their redemption. The US scheme is fully funded and has a significant proportion of fixed income. The fixed income is invested directly to protect the funded status of the scheme. Trustees work with fixed income managers to consider the liabilities (including key period durations, credit spread duration and convexity) and have created a custom fixed income benchmark to match the liabilities and protect the funded status. In addition the schemes' investment policies recognise the need to generate cash flows to meet members' benefits as they fall due.
Liquidity risk	The scheme needs available financial resources to meet obligations when they fall due. Not being able to sell assets in a timely manner for the expected valuation could lead to an increased disclosed deficit or reduced surplus.	The schemes' investment policies recognise the need to generate cash flows to meet members' benefits as they fall due. The buy-ins for the Coats UK Pension Scheme means income equal to the benefits payable is being received on a monthly basis.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

ii) Principal assumptions

The principal assumptions for the UK and US schemes are as follows:

Principal assumptions at 31 December 2024	Coats UK Pension Scheme %	Coats US %	Other %
Rate of increase in salaries	–	–	5.9
Rate of increase for pensions in payment	Various	–	1.7
Discount rate	5.4	5.6	6.7
Inflation assumption	3.3	–	5.0

Principal assumptions at 31 December 2023	Coats UK Pension Scheme %	Coats US %	Other %
Rate of increase in salaries	–	–	5.8
Rate of increase for pensions in payment	Various	–	1.7
Discount rate	4.5	5.0	6.0
Inflation assumption	3.2	–	4.1

The rate of increase for pensions in payment for members of the combined Coats UK Pension Scheme vary in accordance with each member's former scheme category and period of membership. For former Coats UK plan members the increases for pensions in payment are assumed to be at a rate of 3.1% (2023: 2.9%). For former Staveley scheme members, the majority of the increases for pensions in payment fall within the range 2.3%–3.1% (2023: 2.1%–2.9%). For former Brunel scheme members, the majority of the increases for pensions in payment fall within the range 3.4%–4.0% (2023: 3.4%–4.0%).

The assumed life expectancy on retirement is:

	Year ended 31 December 2024		Year ended 31 December 2023	
	Coats UK Pension Scheme Years	Coats US Years	Coats UK Pension Scheme Years	Coats US Years
Retiring today at age 60:				
Males	24.8	25.0	25.0	25.0
Females	27.6	27.2	27.9	27.2
Retiring in 20 years at age 60:				
Males	26.0	26.7	26.1	26.6
Females	28.8	28.8	29.0	28.7

iii) Amounts recognised in the consolidated income statement

Amounts recognised in income in respect of these defined benefit schemes are as follows:

Year ended 31 December 2024	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Group US$m
Current service cost	–	–	(3.2)	(3.2)
Past service credit/(cost)	6.7	–	(0.3)	6.4
Administrative expenses	(11.4)	(0.5)	–	(11.9)
	(4.7)	(0.5)	(3.5)	(8.7)
Interest on defined benefit obligations – unwinding of discount	(82.4)	(1.2)	(4.6)	(88.2)
Interest income on pension scheme assets	89.9	5.0	0.6	95.5
Effect of asset ceiling	(1.5)	(1.6)	–	(3.1)
	6.0	2.2	(4.0)	4.2

Year ended 31 December 2023	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Group US$m
Current service cost	–	–	(3.3)	(3.3)
Past service credit/(cost)	–	(0.2)	0.6	0.4
Settlements	–	–	(0.3)	(0.3)
Administrative expenses	(4.0)	(0.5)	(0.1)	(4.6)
	(4.0)	(0.7)	(3.1)	(7.8)
Interest on defined benefit obligations – unwinding of discount	(84.9)	(1.4)	(4.8)	(91.1)
Interest income on pension scheme assets	94.5	5.0	0.5	100.0
Effect of asset ceiling	(3.1)	(1.4)	–	(4.5)
	6.5	2.2	(4.3)	4.4

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

iv) Amounts recognised in the consolidated statement of comprehensive income

Actuarial gains and losses were as follows:

	Year ended 31 December 2024 US$m	Year ended 31 December 2023 US$m
Effect of changes in demographic assumptions	39.3	33.7
Effect of changes in financial assumptions	142.2	(63.0)
Effect of experience adjustments	(46.7)	(39.9)
Remeasurement on assets (excluding interest income)	(398.0)	(33.4)
Adjustment due to asset ceiling	38.1	31.8
Included in the statement of comprehensive income	(225.1)	(70.8)

v) Amounts recognised in the consolidated statement of financial position

The amounts included in the consolidated statement of financial position arising from the Group's defined benefit arrangements are as follows:

Year ended 31 December 2024	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Total US$m
Cash and cash equivalents	16.9	1.0	2.5	20.4
Other scheme liabilities	(129.9)	–	–	(129.9)
Equity instruments:				
US	–	13.1	–	13.1
UK	2.2	1.2	–	3.4
Eurozone	0.5	3.9	–	4.4
Other regions	–	7.4	1.7	9.1
Debt instruments:				
Corporate bonds (Investment grade)	–	44.4	–	44.4
Corporate bonds (Non-investment grade)	25.2	1.3	–	26.5
Government/sovereign instruments	–	25.5	–	25.5
Global real estate	78.1	–	–	78.1
Assets held by insurance company:				
Insurance contracts	1,664.6	0.2	0.8	1,665.6
Other	(1.9)	–	2.2	0.3
Total market value of assets	1,655.7	98.0	7.2	1,760.9
Actuarial value of scheme liabilities	(1,664.8)	(25.4)	(82.0)	(1,772.2)
Net asset/(liability) in the scheme	(9.1)	72.6	(74.8)	(11.3)
Adjustment due to asset ceiling[1]	–	(31.1)	–	(31.1)
Recoverable net asset/(liability) in the scheme	(9.1)	41.5	(74.8)	(42.4)

1. The accounting surplus under IAS 19 for the Coats US pension scheme is presented net of tax on the consolidated statement of financial position. Please see section viii for further details.

The other scheme liabilities for the Coats UK Pension Scheme in the above table include a $38.3 million loan payable to the Group and a $86.8 million deferred premium balance payable to PIC in respect of the buy-in transaction.

The insurance contract asset for the Coats UK Pension Scheme in the above table includes excess insurance of $16.3 million, which will be subject to customary post-transaction data reconciliations. This will be utilised during the buy-in transaction completion process, which will include insuring the incremental defined benefit obligations arising as a result of the Guaranteed Minimum Pension equalisation.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

Year ended 31 December 2023	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Total US$m
Cash and cash equivalents	53.5	0.5	3.4	57.4
Equity instruments:				
US	62.2	13.1	–	75.3
UK	5.2	1.2	–	6.4
Eurozone	8.6	4.2	–	12.8
Other regions	28.9	7.0	1.6	37.5
Debt instruments:				
Corporate bonds (Investment grade)	519.3	46.7	–	566.0
Corporate bonds (Non-investment grade)	74.0	1.4	–	75.4
Government/sovereign instruments	611.1	26.8	–	637.9
Global real estate	127.0	–	–	127.0
Derivatives:				
Total return, interest and inflation swaps	(7.5)	–	–	(7.5)
Assets held by insurance company:				
Insurance contracts	396.4	0.2	0.8	397.4
Diversified investment fund	17.2	–	–	17.2
Other	134.6	–	0.2	134.8
Total market value of assets	2,030.5	101.1	6.0	2,137.6
Actuarial value of scheme liabilities	(1,894.3)	(25.5)	(89.1)	(2,008.9)
Net asset/(liability) in the scheme	136.2	75.6	(83.1)	128.7
Adjustment due to asset ceiling[1]	(34.0)	(31.9)	–	(65.9)
Recoverable net asset/(liability) in the scheme	102.2	43.7	(83.1)	62.8

1. The accounting surplus under IAS 19 for the Coats UK and US pension schemes is presented net of tax on the consolidated statement of financial position. Please see section viii for further details.

The amounts are presented in the consolidated statement of financial position as follows:

Year ended 31 December	2024 US$m	2023 US$m
Non-current assets:		
Funded	**44.0**	148.2
Current assets:		
Funded	**1.5**	1.6
Current liabilities:		
Funded	**(0.4)**	(0.8)
Unfunded	**(7.5)**	(7.7)
Non-current liabilities:		
Funded	**(14.4)**	(2.9)
Unfunded	**(65.6)**	(75.6)
	(42.4)	62.8

The above overall net deficit balance for the Group's retirement and other post-employment defined benefit arrangements of $42.4 million includes the $38.3 million loan payable by the Coats UK Pension Scheme to the Group.

Excluding the loan payable by the Coats UK Pension Scheme to the Group of $38.3 million, the net deficit for the Group's retirement and other post-employment defined benefit arrangements was $4.1 million as at 31 December 2024.

The schemes disclosed as part of the 'other' column in the tables above include surplus positions of $4.1 million (2023: $3.8 million).

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

	Year ended 31 December 2024 US$m	Year ended 31 December 2023 US$m
Movements in the present value of defined benefit obligations were as follows:		
At 1 January	**(2,008.9)**	(1,912.2)
Current service cost	**(3.2)**	(3.3)
Decrease in liabilities on settlements	**–**	3.8
Past service credit	**6.4**	0.4
Interest on defined benefit obligations – unwinding of discount	**(88.2)**	(91.1)
Actuarial gains/(losses) on obligations	**134.8**	(69.2)
Benefits paid	**154.3**	154.1
Net movement due to acquisitions and disposals of subsidiaries	**–**	1.1
Exchange difference	**32.6**	(92.5)
At 31 December	**(1,772.2)**	(2,008.9)
Movements in the fair value of scheme assets were as follows:		
At 1 January	**2,137.6**	2,072.3
Interest income on scheme assets	**95.5**	100.0
Remeasurement on assets (excluding interest income)	**(398.0)**	(33.4)
Decrease in assets on settlements	**–**	(4.1)
Contribution from sponsoring companies	**108.2**	56.1
Benefits paid	**(154.3)**	(154.1)
Administrative expenses paid from plan assets	**(0.5)**	(0.6)
Exchange difference	**(27.6)**	101.4
At 31 December	**1,760.9**	2,137.6
Administrative expenses paid from plan assets excludes those expenses paid directly by the Group. The reconciliation of the effect of the asset ceiling is as follows:		
Unrecognised surplus at 1 January	**65.9**	90.5
Interest cost on unrecognised surplus	**3.1**	4.5
Changes in the effect of limiting a net defined benefit asset to the asset ceiling (excluding interest)	**(38.1)**	(31.8)
Exchange difference	**0.2**	2.7
Unrecognised surplus at 31 December	**31.1**	65.9

vi) Assets without a quoted price in an active market

For the Coats UK Pension Scheme, all assets in the table in section v of this note do not have a quoted price in an active market. For the Coats US scheme, included in the in section v of this note are $44.4 million (2023: $46.7 million) of corporate bonds (Investment grade), $1.3 million (2023: $1.4 million) of corporate bonds (Non-investment grade) and $0.2 million (2023: $0.2 million) of insurance contracts without a quoted price in an active market. All other assets have a quoted price in an active market.

vii) Basis of asset valuation

Under IAS 19, plan assets must be valued at the bid market value at the balance sheet date. For the main asset categories:

- Equities and bonds listed on recognised exchanges are valued at closing bid prices;
- Other bonds are measured using a combination of broker quotes and pricing models making assumptions for credit risk, market risk and market yield curves;
- Global real estate assets are valued on either a fair value approach as provided by the investment manager or notional bid valuations provided by the investment managers due to investments being held within a single priced pooled investment vehicle. Valuations are prepared in accordance with the current RICS Valuation – Global Standards (1 July 2017) and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015);
- Certain unlisted investments, for example derivatives and insurance contracts, are valued using a model based valuation such as a discounted cash flow; and
- Diversified investment funds are valued at fair value which is typically the Net Asset Value provided by the investment manager.

viii) Recoverability of plan surplus

The recoverable surplus on the Coats US scheme has been recognised in line with the annual refunds expected from the scheme to fund the US post-retirement medical scheme in accordance with relevant US legislation, and the residual surplus recognised net of applicable US taxes. The pension scheme was in a surplus position of $72.6 million at 31 December 2024 of which a recoverable surplus of $41.5 million is recognised on the Balance Sheet.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

ix) Duration of plan liabilities

The weighted average duration of benefit obligations is 10 years (2023: 12 years) for the Coats UK scheme and 10 years (2023: 11 years) for the Coats US scheme.

x) Sensitivities

Sensitivities regarding the discount rate, inflation (which also impacts the rate of increases in salaries and rate of increase for pension in payments assumptions for the UK scheme) and mortality assumptions used to measure the liabilities of the principal schemes, along with the impact they would have on the scheme liabilities, are set out below. Interrelationships between assumptions might exist and the analysis below does not take the effect of these interrelationships into account:

	+0.25% US$m	Year ended 31 December 2024 -0.25% US$m	+0.25% US$m	Year ended 31 December 2023 -0.25% US$m
Coats UK Pension Scheme discount rate	**(39.5)**	**41.1**	(55.9)	58.7
Coats US discount rate	**(0.6)**	**0.6**	(0.7)	0.7
Coats UK Pension Scheme inflation rate	**26.1**	**(22.7)**	32.3	(36.6)
Coats US inflation rate	**–**	**–**	–	–

An increase of 1.0% in the discount rate would result in the Coats UK Pension Scheme and the Coats US scheme liabilities decreasing by $149.1 million and $2.3 million (2023: $208.7 million and $2.7 million). A decrease of 1.0% in the discount rate would result in the Coats UK Pension Scheme and the Coats US scheme liabilities increasing by $175.3 million and $2.7 million (2023: $253.1 million and $3.1 million) respectively. The above sensitivity analysis (on a IAS 19 basis) considers the impact on the scheme liabilities only and excludes any impacts on scheme assets from changes in discount and inflation rates. As noted on page 147, the Coats UK Pension Scheme is currently fully bought in and so changes in scheme liabilities due to movements in discount and inflation rates would have fully offsetting impacts from the buy-in assets.

If members of the Coats UK Pension Scheme live one year longer the scheme liabilities will increase by $61.2 million (2023: $66.3 million), however, there would be no balance sheet impact as the buy-in asset would also increase by the same amount. If members of the Coats US scheme live one year longer scheme liabilities will increase by $0.4 million (2023: $0.4 million), however, there would be no overall impact on the recoverable surplus.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

	+1% US$m	Year ended 31 December 2024 -1% US$m	+1% US$m	Year ended 31 December 2023 -1% US$m
Sensitivity of medical schemes to medical cost trend rate assumptions:				
Effect on total service cost and interest cost components of other schemes	**–**	**–**	–	–
Effect on defined benefit obligation of other schemes	**0.5**	**(0.3)**	0.5	(0.5)

xi) Expected contributions for 2025

The total estimated amount to be paid in respect of all of the Group's retirement and other post-employment benefit arrangements during the 2025 financial year (excluding administrative expenses paid by the Company) is $6.8 million.

d) United Kingdom Pension Benefits — High Court of Justice Ruling on Actuarial Confirmations

In June 2023, the High Court ruled in the case between Virgin Media and the NTL Pension Trustees II Limited (and others) that the absence of a "Section 37" certificate accompanying an amendment to benefits in a contracted-out pension scheme would render the amendment void, which could potentially lead to additional liabilities for some pension schemes and sponsors. The appeal on the Virgin Media and the NTL Pension Trustees II Limited (and others) case was dismissed on 25 July 2024.

Whilst the Coats UK Pension Scheme was only formed in 2018, after the end of contracting out, historic schemes whose benefits were transferred into the Scheme did exist in the relevant time period and may have had amendments subject to the Section 37 certificate requirement.

The Trustees of the pension scheme have engaged their legal advisors to review amendments made in the scheme during the relevant period. This review has concluded that the majority of amendments are compliant with the legislation. However, there remains a minority where further work is to be completed to identify whether actuarial certification in respect of these amendments was required and obtained at the time.

Given the status of the ongoing review, at this time the Group's current expectation is that no adjustments to the Coats UK Pension Scheme defined benefit obligations will be required. The Group and the Trustee of the Coats UK Pension Scheme will continue to keep this matter under review.

Notes to the financial statements cont.

11 Earnings per share

The calculation of basic earnings per ordinary share from continuing operations is based on the profit from continuing operations attributable to equity shareholders and the weighted average number of Ordinary Shares in issue during the year, excluding shares held by the Employee Benefit Trust but including shares under share incentive schemes which are not contingently issuable.

The calculation of basic earnings per ordinary share from continuing and discontinued operations is based on the profit attributable to equity shareholders. The weighted average number of ordinary shares used for the calculation of basic earnings per ordinary share from continuing and discontinued operations is the same as that used for basic earnings per ordinary share from continuing operations.

For diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The Group has two classes of dilutive potential Ordinary Shares: those shares relating to awards under the Group Deferred Bonus Plan which have been awarded but not yet reached the end of the three year retention period and those long-term incentive plan awards for which the performance criteria would have been satisfied if the end of the reporting period were the end of the contingency period.

Year ended 31 December	2024 US$m	2023 US$m
Profit from continuing operations attributable to equity shareholders	**80.6**	83.2
Profit from continuing and discontinued operations attributable to equity shareholders	**80.1**	56.5

Year ended 31 December	2024 Number of shares m	2023 Number of shares m
Weighted average number of ordinary shares in issue for basic earnings per share	**1,604.5**	1,605.0
Adjustment for share options and LTIP awards	**20.1**	16.4
Weighted average number of ordinary shares in issue for diluted earnings per share	**1,624.6**	1,621.4

Year ended 31 December	2024 cents	2023 cents
Continuing operations:		
Basic earnings per ordinary share	**5.03**	5.18
Diluted earnings per ordinary share	**4.96**	5.13
Continuing and discontinued operations:		
Basic earnings per ordinary share	**4.99**	3.52
Diluted earnings per ordinary share	**4.93**	3.48

Profit from continuing operations attributable to equity shareholders for the year ended 31 December 2024 of $80.6 million (2023: $83.2 million) comprises the profit from continuing operations for the year ended 31 December 2024 of $100.2 million (2023: $100.8 million) less non-controlling interests for the year ended 31 December 2024 of $19.6 million (2023: $17.6 million) as reported in the income statement.

12 Dividends

Year ended 31 December	2024 US$m	2023 US$m
2024 interim dividend paid – 0.93 cents per share	**14.8**	–
2023 final dividend paid – 1.99 cents per share	**31.7**	–
2023 interim dividend paid – 0.81 cents per share	**–**	13.0
2022 final dividend paid – 1.73 cents per share	**–**	27.6
	46.5	40.6

The proposed final dividend of 2.19 cents per ordinary share for the year ended 31 December 2024 is not recognised as a liability in the consolidated statement of financial position in line with the requirements of IAS 10 Events after the Reporting Period and, subject to shareholder approval, will be paid on 29 May 2025 to ordinary shareholders on the register on 2 May 2025, with an ex-dividend date of 1 May 2025.

Notes to the financial statements cont.

13 Intangible assets

Cost	Goodwill US$m	Acquired intangibles: Brands & trade names US$m	Technology US$m	Customer relationships US$m	Total acquired US$m	Computer software US$m	Total US$m
At 1 January 2023	124.7	284.5	57.4	166.6	508.5	76.1	709.3
Currency translation differences	1.4	0.6	0.8	2.4	3.8	0.6	5.8
Disposal of subsidiaries	–	–	–	–	–	(1.7)	(1.7)
Additions	–	–	–	–	–	2.0	2.0
Disposals	–	–	–	–	–	(2.1)	(2.1)
At 31 December 2023	126.1	285.1	58.2	169.0	512.3	74.9	713.3
Currency translation differences	**(3.1)**	**(1.0)**	**(1.6)**	**(3.7)**	**(6.3)**	**(1.0)**	**(10.4)**
Additions	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
Disposals	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2024	**123.0**	**284.1**	**56.6**	**165.3**	**506.0**	**74.9**	**703.9**

Cumulative amounts charged	Goodwill US$m	Brands & trade names US$m	Technology US$m	Customer relationships US$m	Total acquired US$m	Computer software US$m	Total US$m
At 1 January 2023	–	3.8	13.6	7.9	25.3	70.6	95.9
Currency translation differences	–	–	0.4	0.2	0.6	0.7	1.3
Amortisation charge for the year	–	4.5	6.1	10.9	21.5	1.4	22.9
Disposal of subsidiaries	–	–	–	–	–	(1.7)	(1.7)
Disposals	–	–	–	–	–	(1.9)	(1.9)
At 31 December 2023	–	8.3	20.1	19.0	47.4	69.1	116.5
Currency translation differences	**–**	**(0.2)**	**(0.7)**	**(0.6)**	**(1.5)**	**(1.1)**	**(2.6)**
Amortisation charge for the year	**–**	**4.7**	**5.7**	**11.2**	**21.6**	**1.6**	**23.2**
Impairment charge (see note 4)	**2.6**	**–**	**0.4**	**–**	**0.4**	**–**	**3.0**
Disposals	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2024	**2.6**	**12.8**	**25.5**	**29.6**	**67.9**	**69.5**	**140.0**
Net book value at 31 December 2024	**120.4**	**271.3**	**31.1**	**135.7**	**438.1**	**5.4**	**563.9**
Net book value at 31 December 2023	126.1	276.8	38.1	150.0	464.9	5.8	596.8

The carrying value of the Coats brand at 31 December 2024 and 31 December 2023 is $239.6 million. There is no foreseeable limit to the net cash inflows from royalties, which are generated from continued sales of thread resulting from the Coats brand, and the brand is therefore assessed as having an indefinite useful life, and as such, is reviewed for impairment annually. The recoverable amount of the Coats brand has been estimated using the relief from royalty method to calculate the fair value and is re-assessed annually by reference to the discounted cash flow arising from the royalties generated by the Coats brand. The fair value measurement is categorised in its entirety in line with level 3 of the fair value hierarchy. The valuation has been based on the latest budget and Medium Term Plan approved by the Board, covering the period to 31 December 2027, applying a pre-tax discount rate of 10.5% (2023: 11.6%) and long-term growth of 2.5% (2023: 2.5%). Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value to exceed its recoverable amount. The Coats brand is allocated to cash-generating units (CGUs) that are expected to benefit from the Coats brand for the purposes of impairment testing of CGUs.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as follows:

Year ended 31 December	**2024 US$m**	2023 US$m
Footwear	**98.6**	100.8
Gotex	**11.9**	12.6
US and Mexico	**–**	2.6
Coats Digital	**8.2**	8.4
Other	**1.7**	1.7
	120.4	126.1

Notes to the financial statements cont.

13 Intangible assets cont.

The carrying value of the goodwill allocated to the Footwear, Gotex and Coats Digital CGUs has also been tested for impairment during the year by comparing the carrying value of the CGU to their value in use.

As set out in note 4, the Group announced the closure of its Performance Materials site in Toluca, Mexico in December 2024, as part of the reorganisation of North America Yarns footprint. In light of this reorganisation, the goodwill allocated to the US and Mexico CGU of $2.6 million, which previously arose from North America Yarns acquisitions in 2017 and 2020, was fully impaired. Excluding the assets impacted by the Toluca, Mexico site closure, which were reviewed for impairment separately (see note 4), the remaining assets in the US and Mexico CGU have been tested for impairment by comparing the carrying value of the CGU to its value in use. The key assumptions used in the value in use calculation are set out below.

The value in use calculations were based on projected cash flows, derived from the latest budgets approved by the Board and factoring in the most recent trading activity. Projected cash flows are, discounted at CGU specific, risk adjusted, discount rates to calculate the net present value.

The calculation of 'value in use' is most sensitive to the following assumptions:

– CGU specific operating assumptions that are reflected in the budget and Medium Term Plan periods for the financial year to December 2027;
– discount rates; and
– growth rates used to extrapolate risk adjusted cash flows beyond the medium-term period.

CGU specific operating assumptions are applicable to the cash flows for the years 2025 to 2027 and relate to revenue forecasts and forecast operating margins. A short-term growth rate is applied to the December 2027 plan to derive the cash flows arising in 2028–2029 and a long-term rate is applied to 2029 to determine a terminal value.

The pre-tax discount rates applied to the cash flow forecasts are derived from the Group's post-tax weighted average cost of capital. The Group's weighted average cost of capital is based on estimations of the assumptions that market participants operating in similar sectors to Coats would make, using the Group's economic profile as a starting point and adjusting appropriately. The pre-tax base discount rate of 10.5% (2023: 11.6%) has been adjusted for economic risks that are not already captured in the specific operating assumptions. This results in the impairment testing using a pre-tax discount rate of 11.2% for Footwear, 13.3% for Gotex, 10.4% for US and Mexico, and 14.7% for Coats Digital.

Revenue growth rate assumptions in 2028-2029 are 8.0-8.0% for Footwear, 6.5-7.0% for Gotex, and 18.3-18.4% for Coats Digital, and terminal value growth rate assumptions are 2.5% for Footwear, 1.7% for Gotex, and 2.5% for Coats Digital.

The revenue and margin growth assumptions used in the US and Mexico CGU are sensitive to change. A change in these key assumptions could result in a change in the assessed recoverable amount of the CGU. Revenue growth and operating margin improvement assumptions in 2028–2029 for the US and Mexico CGU are as follows:

	Revenue growth 2028 %	Revenue growth 2029 %	Operating margin improvement 2028 %	Operating margin improvement 2029 %	Terminal value growth rate %
US and Mexico	3.3	3.3	0.6	0.4	1.9

The following scenarios would result in headroom being completely eliminated in the US and Mexico value in use impairment assessment:

– the discount rate increasing by 340 bps; or
– revenue CAGR for 2025–2029 decreasing to 2%; or
– Operating margin for 2029 and the terminal period decreasing by 230 bps.

Notes to the financial statements cont.

14 Property, plant and equipment

Cost	Land and buildings US$m	Plant and equipment US$m	Vehicles and office equipment US$m	Total US$m
At 1 January 2023	157.4	529.1	60.9	747.4
Currency translation differences	(0.3)	(6.1)	0.2	(6.2)
Application of IAS 29 (see note 1)	–	1.5	–	1.5
Disposal of subsidiaries (see note 31)	(9.0)	(40.3)	(4.2)	(53.5)
Additions	0.5	23.9	1.5	25.9
Transfer to non-current assets held for sale	(2.5)	–	–	(2.5)
Disposals	(15.1)	(49.2)	(6.5)	(70.8)
At 31 December 2023	131.0	458.9	51.9	641.8
Currency translation differences	**(2.1)**	**(11.7)**	**(0.7)**	**(14.5)**
Application of IAS 29 (see note 1)	**–**	**1.5**	**–**	**1.5**
Additions	**4.8**	**22.4**	**1.9**	**29.1**
Disposals	**(1.2)**	**(3.5)**	**(2.1)**	**(6.8)**
At 31 December 2024	**132.5**	**467.6**	**51.0**	**651.1**
Cumulative amounts charged				
At 1 January 2023	75.4	363.2	52.5	491.1
Currency translation differences	–	(3.9)	0.2	(3.7)
Depreciation charge for the year	5.1	19.3	2.6	27.0
Impairment charge (see note 4)	1.2	0.5	–	1.7
Transfer to non-current assets held for sale	(1.5)	–	–	(1.5)
Disposal of subsidiaries (note 31)	(7.6)	(39.3)	(4.2)	(51.1)
Disposals	(11.9)	(46.5)	(6.5)	(64.9)
At 31 December 2023	60.7	293.3	44.6	398.6
Currency translation differences	**(1.1)**	**(8.4)**	**(0.9)**	**(10.4)**
Depreciation charge for the year	**4.4**	**18.9**	**2.1**	**25.4**
Impairment charge (see note 4)	**2.5**	**14.6**	**0.1**	**17.2**
Disposals	**(0.5)**	**(3.8)**	**(1.7)**	**(6.0)**
At 31 December 2024	**66.0**	**314.6**	**44.2**	**424.8**
Net book value at 31 December 2024	**66.5**	**153.0**	**6.8**	**226.3**
Net book value at 31 December 2023	70.3	165.6	7.3	243.2

Analysis of net book value of land and buildings 31 December	2024 US$m	2023 US$m
Freehold	**54.5**	57.8
Leasehold improvements:		
Over 50 years unexpired	**2.4**	2.5
Under 50 years unexpired	**9.6**	10.0
	66.5	70.3

The impairment charge of $17.2 million in the year ended 31 December 2024 relates to the rightsizing of the North America Yarns footprint and footprint optimisation Strategic Projects (see note 4). For the property, plant and equipment relating to the Toluca site, the Group applied the fair value less costs of disposal approach to identify the best estimate of the impairment charge. This method uses inputs that are unobservable, using the best information available in the circumstances for valuing the specific assets subject to impairment, and therefore falls into the level 3 category of fair value measurement. The remaining property, plant and equipment for the US and Mexico CGU was reviewed for impairment using the value in use method, as set out in note 13.

In addition, an impairment charge of $2.2 million was also recognised in the year ended 31 December 2024 in relation to the Toluca site right-of-use asset. The assumptions made in determining the amount of the impairment charge of the right-of-use asset were the expected timing and cost of exiting the lease.

15 Leases

The Group leases several assets including buildings, plants, vehicles and office equipment. The average lease term is 4 years (2023: 4 years). The Group's consolidated balance sheet includes the following amounts relating to leases:

Right-of-use assets

Net carrying amount	Land and buildings US$m	Plant and equipment US$m	Vehicles and office equipment US$m	Total US$m
At 1 January 2024	67.3	1.7	5.4	74.4
At 31 December 2024	**59.0**	**4.4**	**5.5**	**68.9**
Depreciation expense for the year ended				
31 December 2023	15.0	1.4	2.4	18.8
31 December 2024	**14.3**	**1.0**	**2.7**	**18.0**

Additions to the right-of-use assets during the year ended 31 December 2024 were $18.3 million (2023: $9.6 million).

Notes to the financial statements cont.

15 Leases cont.

Lease liabilities

Year ended 31 December	2024 US$m	2023 US$m
Current	**16.6**	17.5
Non-current	**66.6**	69.3
	83.2	86.8

Lease liability maturity analysis	Undiscounted 2024 US$m	Undiscounted 2023 US$m	Discounted 2024 US$m	Discounted 2023 US$m
Payable within one year	**20.8**	22.0	**16.6**	17.5
Payable between one and two years	**17.7**	16.0	**14.0**	12.3
Payable between two and five years	**43.4**	38.8	**37.0**	31.5
Payable after more than five years	**19.3**	30.6	**15.6**	25.5
At 31 December 2024	**101.2**	107.4	**83.2**	86.8

The net decrease in lease liabilities during the year ended 31 December 2024 was $3.6 million (2023: increase $18.6 million) which includes foreign exchange gains on lease liabilities of $2.6 million (2023: $1.1 million). The total cash outflow for leases in the year ended 31 December 2024 was $24.3 million (2023: $24.1 million).

The Group's consolidated income statement includes the following amounts relating to leases:

Year ended 31 December	2024 US$m	2023 US$m
Depreciation expense	**18.0**	18.8
Interest expense on lease liabilities	**5.2**	5.6
Expenses relating to short-term leases	**0.2**	0.3
Expenses relating to leases of low value assets	**0.1**	0.1
Expense relating to variable lease payments not included in the measurement of the lease liability	**1.8**	1.7
Impairment of right-of-use assets	**3.3**	4.6
Income from subleasing right-of-use assets	**(0.1)**	(0.1)

The Group subleases some of its right-of-use assets. At the balance sheet date, the Group had contracted with tenants for receipt of the following minimum lease payments:

Year ended 31 December	2024 US$m	2023 US$m
Receivable within one year	**0.1**	0.1
Receivable between one and two years	**0.1**	–
	0.2	0.1

16 Non-current investments

Year ended 31 December	2024 US$m	2023 US$m
Interests in joint ventures (see below)	**13.7**	12.8
Investments in equity securities: Unlisted investments	**0.6**	0.9
	14.3	13.7

Interests in joint ventures	US$m
At 1 January 2023	**12.8**
Dividends receivable	**(1.0)**
Share of profit after tax	**1.9**
At 31 December 2024	**13.7**

Year ended 31 December	2024 US$m	2023 US$m
Share of net assets on acquisition	**10.6**	11.3
Disposals	**–**	(0.7)
Share of post-acquisition retained profits	**3.1**	2.2
Share of net assets	**13.7**	12.8

The following table provides summarised financial information on the Group's share of its joint ventures, relating to the period during which they were joint ventures, and excludes goodwill:

Year ended 31 December	2024 US$m	2023 US$m
Summarised income statement information:		
Revenue	**28.7**	24.7
Profit before tax	**2.5**	1.5
Taxation	**(0.6)**	(0.4)
Profit after tax	**1.9**	1.1

Year ended 31 December	2024 US$m	2023 US$m
Summarised balance sheet information:		
Non-current assets	**5.2**	4.8
Current assets	**17.4**	16.1
	22.6	20.9
Liabilities due within one year	**(8.9)**	(8.1)
Net assets	**13.7**	12.8

Notes to the financial statements cont.

17 Deferred tax assets

Year ended 31 December	2024 US$m	2023 US$m
Deferred tax assets	**13.6**	18.0

The Group's deferred tax assets are included within the analysis in note 24.

The movements in the Group's deferred tax asset during the year were as follows:

	2024 US$m	2023 US$m
At 1 January	**18.0**	24.4
Currency translation differences	**(0.3)**	(1.1)
Charged to the income statement	**(3.5)**	(5.1)
Charged to other comprehensive income and expense	**(0.6)**	(0.2)
At 31 December	**13.6**	18.0

18 Inventories

Year ended 31 December	2024 US$m	2023 US$m
Raw materials and consumables	**93.8**	84.9
Work in progress	**17.0**	22.0
Finished goods and goods for resale	**65.3**	66.6
	176.1	173.5

19 Trade and other receivables

Year ended 31 December	2024 US$m	2023 US$m
Non-current assets:		
Trade receivables	**6.5**	2.9
Other receivables	**13.7**	14.0
Current income tax assets	**2.4**	–
Prepaid pension contributions	**2.4**	2.6
	25.0	19.5
Current assets:		
Trade receivables	**245.7**	238.1
Current income tax assets	**2.8**	1.2
Prepayments and accrued income	**7.3**	7.6
Derivative financial instruments	**0.9**	1.3
Prepaid pension contributions	**2.2**	2.3
Other receivables	**33.3**	41.5
	292.2	292.0

The fair value of trade and other receivables is not materially different to the carrying value. Other receivables includes VAT and other taxes receivable.

Interest charged in respect of overdue trade receivables is immaterial.

Included within trade receivables is $14.8 million (2023: $11.1 million) relating to software solutions revenue contracts, for which performance obligations are fulfilled over a period of time (see note 21).

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. Credit risk is minimised due to the quality and short-term nature of the Group's trade receivables as well as the fact that the exposure is spread over a large number of customers. An allowance has been made for expected losses on trade receivables of $10.1 million (2023: $7.3 million).

The Group monitors receivables for any significant increases in credit risk, and fully provides for trade receivables which are more than 6 months overdue, unless there are specific circumstances which would indicate otherwise. For all other trade receivables, when determining expected losses, the Group takes into account the historical default experience and the financial position of the counterparties, as well as the future prospects considering various sources of information. Impairment has been considered for other receivables, and is considered not to be significant.

Notes to the financial statements cont.

19 Trade and other receivables cont.

The loss allowance has been determined as follows:

	Current	1–3 months past due	3–6 months past due	6+ months past due	Total 2024
Expected loss rate	**0.2%**	**3%**	**35%**	**83%**	
Gross carrying amount (US$m)	**226.6**	**23.0**	**3.1**	**9.6**	**262.3**
Loss allowance provision (US$m)	**0.4**	**0.6**	**1.1**	**8.0**	**10.1**

	Current	1–3 months past due	3–6 months past due	6+ months past due	Total 2023
Expected loss rate	0.2%	2%	27%	79%	
Gross carrying amount (US$m)	213.5	25.4	2.2	7.2	248.3
Loss allowance provision (US$m)	0.4	0.4	0.6	5.9	7.3

The movements in the expected loss allowance are analysed as follows:

	2024 US$m	2023 US$m
At 1 January	**7.3**	7.6
Currency translation differences	**(0.3)**	(0.1)
Disposal of subsidiaries	**–**	(0.9)
Charged to the income statement	**3.6**	1.6
Amounts written off during the year	**(0.5)**	(0.9)
At 31 December	**10.1**	7.3

As at 1 January 2023, trade receivables amounted to $236.4 million (net of loss allowance of $7.6 million).

20 Derivative financial instruments – assets

Derivative financial instruments within current assets comprise:

Year ended 31 December	2024 US$m	2023 US$m
Fair value through the income statement:		
Forward foreign currency contracts	**0.9**	1.3
Amounts shown within current assets	**0.9**	1.3

21 Trade and other payables

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

Year ended 31 December	2024 US$m	2023 US$m
Amounts falling due within one year:		
Trade payables	**167.2**	163.2
Amounts owed to joint ventures	**16.1**	15.3
Other tax and social security payable	**4.3**	5.6
Other payables	**23.9**	33.7
Accruals	**43.1**	38.7
Contract liabilities	**9.5**	11.1
Derivative financial instruments	**2.3**	3.6
Employee entitlements	**32.8**	14.4
	299.2	285.6
Amounts falling due after more than one year:		
Contract liabilities	**7.2**	1.6
Employee entitlements	**0.2**	1.6
	7.4	3.2

The fair value of trade and other payables is not materially different to the carrying value.

Interest paid to suppliers in respect of overdue trade payables is immaterial.

Contract liabilities amounting to $7.2 million (2023: $5.9 million) which were outstanding at 31 December 2023 were released to revenue during the year ended 31 December 2024, with the remainder expected to be released in 2025.

Notes to the financial statements cont.

22 Derivative financial instruments – liabilities

Derivative financial instruments within current liabilities comprise:

Year ended 31 December	2024 US$m	2023 US$m
Fair value through the income statement:		
Forward foreign currency contracts	**2.3**	1.8
Interest rate swap contracts	**–**	1.8
Amounts shown within current liabilities	**2.3**	3.6

The fair values of these financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest and foreign currency rates prevailing at the year end.

23 Borrowings

Year ended 31 December	2024 US$m	2023 US$m
Bank overdrafts	**0.2**	20.9
Borrowings repayable within one year	**–**	123.4
Due within one year	**0.2**	144.3
Borrowings repayable between two and five years	**246.8**	272.7
Due after more than five years	**348.3**	99.5
Due after more than one year	**595.1**	372.2
Bank overdrafts	**0.2**	20.9
Series A and Series B Senior Notes	**595.1**	472.3
Bank and other borrowings	**–**	23.3
	595.3	516.5

In December 2024, the Group completed the refinancing of the $125 million Series A Senior Notes, issued in 2017, via the US private placement (USPP) market with $250 million of notes. $100 million 5.36% Series A Senior Notes are due on 4 December 2030, $100 million 5.44% Series B Senior Notes are due on 4 December 2031 and $50 million 5.54% Series C Senior Notes are due on 4 December 2034.

In August 2024 the Group refinanced its bank facility and entered into a $420 million three year bank facility, with the ability for two one-year extensions. The facility bears interest at the risk free rate plus a margin.

In February 2023, the Group completed the refinancing of the Texon acquisition term loan of $240 million, which had been fully drawn down in July 2022, via the US Private Placement (USPP) market with $250 million of notes. $150 million 5.26% Series A Senior Notes are due on 16 February 2028 and $100 million 5.37% Series B Senior Notes are due on 16 February 2030.

The Group also issued $100 million of 4.07% Series B Senior Notes in December 2017, which are due on 6 December 2027.

Interest on all Senior Notes is payable semi-annually in arrears. The Senior Notes are unsecured and rank equally with all the Group's other unsecured and unsubordinated indebtedness.

The currency and interest rate profile of the Group's borrowings is included in note 33 on page 172.

24 Deferred tax liabilities

	2024 US$m	2023 US$m
At 1 January	**63.9**	78.2
Currency translation differences	**(1.7)**	(0.2)
Credited to the income statement	**(4.2)**	(14.1)
At 31 December	**58.0**	63.9

Notes to the financial statements cont.

24 Deferred tax liabilities cont.

	2024		2023	
	Provided/ (recognised) US$m	Unprovided/ (unrecognised) US$m	Provided/ (recognised) US$m	Unprovided/ (unrecognised) US$m
The Group's net deferred tax liabilities/(assets) are analysed as follows:				
Accelerated tax depreciation on tangible fixed assets	**(1.3)**	**0.2**	(3.8)	0.1
Other temporary differences	**(20.6)**	**(8.8)**	(5.8)	(7.3)
Revenue losses carried forward[1]	**(59.6)**	**(408.1)**	(65.2)	(330.1)
Capital losses carried forward	**–**	**(369.5)**	–	(362.8)
Investment in subsidiaries	**12.0**	**14.2**	10.0	8.6
Acquired intangibles	**107.1**	**–**	104.3	–
Retirement benefit obligations	**6.8**	**(10.9)**	6.4	(0.7)
	44.4	**(782.9)**	45.9	(692.2)

1. Revenue losses include restricted interest amounts available for future reactivation.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2024	2023
	Provided/ (recognised) US$m	Provided/ (recognised) US$m
Deferred tax assets (note 17)	**(13.6)**	(18.0)
Deferred tax liabilities	**58.0**	63.9
	44.4	45.9

A deferred tax liability is recognised in respect of the taxable temporary difference on the Coats brand intangible asset owned in the UK. This is fully offset by an equivalent deferred tax asset recognised in respect of tax attributes in the same jurisdiction. These tax attributes are expected to be utilised against the taxable income arising on a reversal of the taxable temporary difference in respect of the brand. In the analysis of the Group's deferred tax balances above, the amounts are disclosed on a gross basis.

The amount of the UK deferred tax asset that can be recognised is dependent on the time period over which the taxable temporary difference reverses, and in certain jurisdictions including the UK, is impacted by the restriction on utilisation of brought forward tax losses, after utilisation of current year tax attributes. For the purpose of deferred tax asset recognition the Group takes the view that any future reversal of the taxable temporary difference on the Coats brand intangible will take place over an extended period of time, and consequently any taxable income will be fully offset by available losses and other tax attributes in each individual accounting period.

At 31 December 2024 the Group had approximately $1.9 billion (2023: $1.6 billion) of unused gross revenue losses, approximately $1.4 billion (2023: $1.4 billion) of unused gross capital losses. A deferred tax asset of $59.6 million (2023: $65.2 million) has been recognised in respect of $251.2 million (2023: $277.2 million) of such income tax losses. No deferred tax asset has been recognised in respect of the remaining losses due to lack of certainty regarding the availability of future taxable income.

The Group's income tax losses can be analysed as follows:

	2024 US$m	2023 US$m
Expiring within 5 years	**24.7**	23.2
Expiring in more than 5 years	**53.7**	19.0
Available indefinitely	**1,824.8**	1,573.5
	1,903.2	1,615.7

At 31 December 2024, the Group has not recognised a deferred tax asset in respect of other gross deductible temporary differences of $69.6 million (2023: $62.1 million). These deferred tax assets have not been recognised on the basis that their future economic benefit is uncertain. Timing differences are only recognised in the financial statements to the extent that it is considered more likely than not that sufficient future taxable profits will be available for offset.

At 31 December 2024, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $14.2 million (2023: $8.6 million). Deferred tax on distribution of these profits of $184.7 million at 31 December 2024 (2023: $116.1 million) has not been provided on the grounds that the Group is able to control the timing of the reversal of the remaining temporary differences and it is probable that they will not reverse in the foreseeable future.

25 Provisions

Year ended 31 December	2024 US$m	2023 US$m
Provisions are included as follows:		
Current liabilities	**26.5**	17.1
Non-current liabilities	**25.1**	19.3
	51.6	36.4

Notes to the financial statements cont.

25 Provisions cont.

Provisions are analysed as follows:

Year ended 31 December	2024 US$m	2023 US$m
Property related provisions	2.3	3.4
UK pension related provisions	14.5	–
Other provisions	34.8	33.0
	51.6	36.4

	Property related provisions US$m	UK pension related provisions US$m	Other provisions US$m	Total US$m
At 1 January 2024	3.4	–	33.0	36.4
Currency translation differences	–	–	(0.5)	(0.5)
Charged to the income statement	0.4	8.5	22.8	31.7
Charged to other comprehensive income	–	6.8	–	6.8
Utilised in year	(1.5)	(0.8)	(20.5)	(22.8)
At 31 December 2024	2.3	14.5	34.8	51.6

As set out in note 4 and note 10, following the buy-in transaction in the current year, the Group recognised provisions of $6.8 million and $8.5 million, in relation to completing the buy-in transaction and administrative costs for the UK Pension Scheme. Other provisions include amounts in relation to strategic projects (see note 4) of $9.9 million (2023: $3.2 million) as well as amounts set aside to cover certain legal and other regulatory claims, including $11.2 million in respect of the Lower Passaic River (see note 28 for further details), which are expected to be substantially utilised within the next ten years.

26 Share capital

Year ended 31 December	2024 Number	2024 US$m	2023 Number	2023 US$m
Ordinary Shares of 5p each	1,597,810,385	99.0	1,597,810,385	99.0

As at 1 January 2023 the company had 1,597,810,385 Ordinary shares in issue. The company has one class of Ordinary shares which carry no right to fixed income.

The own shares reserve of $5.3 million at 31 December 2024 (2023: $6.1 million) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans. The number of shares held by the Employee Benefit Trust at 31 December 2024 was 4,905,769 (2023: 6,124,223).

Details of share awards outstanding under the Group's LTIP and Deferred Bonus Plans are set out in note 34.

27 Reserves and non-controlling interests

	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained (loss)/ profit US$m	Non-controlling interests US$m
At 1 January 2024	111.4	(6.1)	(109.7)	59.8	246.3	157.4	31.3
Dividends	–	–	–	–	–	(46.5)	(18.0)
Currency translation differences	–	–	(20.0)	–	–	–	(0.4)
Actuarial losses on employee benefits	–	–	–	–	–	(225.1)	–
Tax on actuarial gains	–	–	–	–	–	(0.6)	–
Purchase of own shares	–	(8.7)	–	–	–	–	–
Movement in own shares	–	9.5	–	–	–	(8.6)	–
Share based payments	–	–	–	–	–	7.9	–
Profit for the year	–	–	–	–	–	80.1	19.6
At 31 December 2024	111.4	(5.3)	(129.7)	59.8	246.3	(35.4)	32.5

Other reserves of $246.3 million in the above table relate to legacy non-distributable reserves, which arose during the period when the Group was part of the Guinness Peat Group.

The table below shows financial information of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	Year ended 31 December 2024 US$m	Year ended 31 December 2023 US$m	31 December 2024 US$m	31 December 2023 US$m
EMEA	–	0.9	1.4	1.7
Asia & Rest of World	19.6	16.7	31.1	29.6
	19.6	17.6	32.5	31.3

The proportion of ownership interests and voting rights of non-wholly owned subsidiaries of the Group held by non-controlling interests is set out on pages 201 to 206.

Notes to the financial statements cont.

28 Contingent liabilities and environmental matters

Environmental matters

As noted in previous reports, in December 2009, the US Environmental Protection Agency ('EPA') notified Coats & Clark, Inc. ('CC') that CC is a 'potentially responsible party' ('PRP') under the US Superfund law for investigation and remediation costs at the 17-mile Lower Passaic River Study Area ('LPR') in New Jersey in respect of alleged operations of a predecessor's former facilities in that area prior to 1950. Over 100 PRPs have been identified by EPA. In 2011, CC joined a cooperating parties group ('CPG') of companies formed to fund and conduct a remedial investigation and feasibility study of the area.

CC has analysed its predecessor's operating history prior to 1950, when it left the LPR, and has concluded that it was not responsible for the contaminants and environmental damage that are the primary focus of the EPA process. CC also believes that there are many parties that will participate in the LPR's remediation, including those that are the most responsible for its contamination.

In March 2016, EPA issued a Record of Decision selecting a remedy for the lower 8 miles of the LPR at an estimated cost of $1.38 billion on a net present value basis. In September 2021, EPA issued a Record of Decision selecting an interim remedy for the upper 9 miles of the LPR (involving targeted removal of contaminants and ongoing monitoring to assess whether additional contaminant removal would be necessary), at an estimated cost of $441 million on a net present value basis.

EPA has entered into an administrative order on consent ('AOC') with Occidental Chemical Corporation ('OCC'), which has been identified as being responsible for the most significant contamination in the river, concerning the design of the selected remedy for the lower 8 miles of the LPR.

Maxus Energy Corporation ('Maxus'), which provided an indemnity to OCC that covered the LPR, has been granted Chapter 11 bankruptcy protection, but OCC remains responsible for its remedial obligations even in the absence of Maxus' indemnity. The approved bankruptcy plan created a liquidating trust to pursue potential claims against Maxus' parent entity, YPF SA, and potentially others. A settlement of those claims is expected to result in additional funding for the LPR remedy.

While the ultimate costs of the remedial design and the final remedy for the full 17-mile LPR are expected to be shared among more than a hundred parties, including many who are not currently in the CPG, a pending settlement involving CC and other parties has not yet been approved by the court and the share of payments for other parties has not yet been determined.

In March 2017, EPA notified 20 parties not associated with the disposal or release of any contaminants of concern that they were eligible for early cash out settlements. As expected, EPA did not identify CC as one of those 20 parties. EPA invited approximately 80 other parties, including CC, to participate in an allocation process to determine their respective allocation shares and potential eligibility for future cash out settlements. In the allocation, CC presented factual and scientific evidence that it is not responsible for the discharge of dioxins, furans or PCBs – the contaminants that are driving the remediation of the LPR – and that it is a de minimis or even smaller de micromis party. The allocation process concluded in December 2020. The EPA-appointed allocator determined that CC is in the lowest tier (Tier 5) of allocation parties, and is responsible for only a de micromis share of remedial costs.

On 30 June 2018, OCC filed a lawsuit against approximately 120 defendants, including CC, seeking recovery of past environmental costs and contribution toward future environmental costs. OCC released claims for certain past costs from 41 of the defendants, including CC, and is not seeking recovery of those past costs from CC. OCC's lawsuit seeks resolution of many of the same issues addressed in the EPA sponsored allocation process, and does not alter CC's defences or CC's continued belief that it is a de micromis party.

In 2015, a provision totalling $15.8 million was recorded for remediation costs for the entire 17 miles of the LPR and the estimated associated legal and professional costs in defence of CC's position. The provision for remediation costs was based on CC's estimated share of de minimis costs for (a) EPA's selected remedy for the lower 8 miles of the LPR and (b) the remedy for the upper 9 miles proposed by the CPG, which was later substantively adopted by the EPA. This charge to the income statement was net of insurance reimbursements and was stated on a net present value basis. During the year ended 31 December 2018, an additional provision of $8.0 million was recorded as an exceptional item to cover legal and professional fees.

At the end of 2023, CC's insurer was placed into liquidation. As a result, the previously recognised insurance receivable for future expected partial recovery of remediation costs and associated legal and professional costs was treated for accounting purposes as being impaired in full resulting in an exceptional charge of $3.6 million being recognised for the year ended 31 December 2023, without prejudice to any future claims against the insurer in the liquidation proceedings.

At 31 December 2024, the remaining provision was $11.2 million (31 December 2023: $12.2 million). The process concerning the LPR continues to evolve and these estimates are subject to change based upon legal defence costs associated with the EPA process and OCC's lawsuit, the share of remedial costs to be paid by the major polluters on the river, and the share of remaining remedial costs apportioned among CC and other companies.

Notes to the financial statements cont.

28 Contingent liabilities and environmental matters cont.

In 2022, CC and other parties entered into a settlement with EPA in which the settling parties agreed to pay $150 million toward remediation of the full 17-mile LPR in exchange for a release for those matters addressed in the settlement. CC's share of the cash-out settlement is consistent with a de micromis share of total remedial costs for the full 17-mile LPR. EPA has indicated it will seek the balance of LPR remedial costs from OCC and a small number of other parties that EPA has determined were not eligible to participate in a cash-out settlement. These other parties would be responsible for most remedial costs over-runs. The settlement does not address claims for natural resource damages by federal natural resource trustees. The Group believes that CC's share, if any, of such costs would be de micromis.

In late 2022, the cash-out settlement for the full 17-mile LPR was lodged with the court by the Department of Justice (DOJ) on behalf of EPA. In January 2024, DOJ moved for entry of the settlement on behalf of EPA, with amendments that are not material to CC. In December 2024, the court approved the settlement, finding that it is fair and reasonable and consistent with applicable law. OCC is opposed to the settlement and has appealed the court's approval. Although the Company believes the court's approval of the settlement is well founded, it is nonetheless possible that the appellate court could reverse the lower court's approval in whole or in part. It is also possible that the lower court may permit OCC's separate private party litigation against the settling parties to continue in whole or in part. Because of these continued uncertainties, the Group is maintaining its current provision for the LPR for the present time.

Coats believes that CC's predecessor did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPR, that it has valid legal defences which are based on its own analysis of the relevant facts, that the EPA-appointed allocator correctly concluded that it has a de micromis share of the total remediation costs, and that OCC and other parties will be responsible for a significant share of the ultimate costs of remediation. As this matter evolves, the provision may be reduced if the settlement is approved by the court and if the court bars further litigation against CC and other settling parties. It is nonetheless still possible that additional provisions could be recorded and that such provisions could increase materially based on further decisions by the court, negotiations among the parties and other future events.

Following the sale of the North America Crafts business, including CC, announced on 22 January 2019, Coats North America Consolidated Inc. (the seller) retains the control and responsibility for the eventual outcome of the ongoing LPR environmental matters.

29 Capital commitments

As at 31 December 2024, the Group had commitments of $5.0 million in respect of contracts placed for future capital expenditure (2023: $8.7 million).

30 Notes to the consolidated cash flow statement

a) Reconciliation of operating profit to cash generated from operations

Year ended 31 December	2024 US$m	2023 US$m
Operating profit[1]	**199.8**	184.0
Depreciation of owned property, plant and equipment	**25.4**	27.0
Deprecation of right-of-use assets	**18.0**	18.8
Amortisation and impairment of intangible assets	**26.2**	22.9
Impairment of property, plant and equipment and other assets	**18.9**	9.4
(Increase)/decrease in inventories	**(9.4)**	21.1
Increase in debtors	**(16.4)**	(22.8)
Increase in creditors	**26.5**	18.9
Provisions and pension movements	**(93.0)**	(53.1)
Foreign exchange and other non-cash movements	**2.1**	(4.9)
Discontinued operations	**(1.4)**	(4.0)
Cash generated from operations	**196.7**	217.3

1. Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

In connection the UK pension buy-in transaction, which represents a significant step in Coats fully insuring its UK pension obligations (see note 10), additional funding was provided to the UK pension scheme by the Group totalling $127.8 million. The Group made a $89.5 million (£70 million) upfront cash contribution to the scheme and a further $38.3 million (£30 million) was provided to the UK pension scheme as a loan. The upfront cash contribution is included in cash generated from operations in the consolidated statement of cash flows. The cash paid to the UK pension scheme as a loan is included in cash absorbed in investing activities in the consolidated statement of cash flows. The cash paid to the UK pension scheme as a loan is included in cash absorbed in investing activities in the consolidates statement of cash flows. Cash generated from operations and net cash from operations (after interest and tax paid) for the year ended 31 December 2024 was $286.2 million (2023: $217.3 million) and $185.3 million (2023: $123.9 million) respectively excluding the upfront cash contribution to the UK pension scheme.

b) Interest paid

Year ended 31 December	2024 US$m	2023 US$m
Interest paid	**(31.5)**	(33.7)

Notes to the financial statements cont.

30 Notes to the consolidated cash flow statement cont.

c) Taxation paid

Year ended 31 December	2024 US$m	2023 US$m
Overseas tax paid	**(69.4)**	(59.7)

d) Investment income

Year ended 31 December	2024 US$m	2023 US$m
Dividends received from joint ventures	**1.0**	0.6

e) Capital expenditure and financial investment

Year ended 31 December	2024 US$m	2023 US$m
Purchase of property, plant and equipment and intangible assets	**(27.7)**	(31.0)
Purchase of other equity investments	**–**	(0.4)
Proceeds from disposal of property, plant and equipment	**3.7**	11.8
Discontinued operations	**–**	(0.1)
	(24.0)	(19.7)

f) Acquisitions and disposals of businesses

Year ended 31 December	2024 US$m	2023 US$m
Disposal of businesses	**–**	(1.2)
	–	(1.2)

g) Summary of net debt

Year ended 31 December	2024 US$m	2023 US$m
Cash and cash equivalents	**146.0**	132.4
Bank overdrafts	**(0.2)**	(20.9)
Net cash and cash equivalents	**145.8**	111.5
Borrowings (see note 23)	**(595.1)**	(495.6)
Net debt excluding lease liabilities	**(449.3)**	(384.1)
Lease liabilities (see note 15)	**(83.2)**	(86.8)
Total net debt	**(532.5)**	(470.9)

For financial covenant purposes under the Group's borrowing arrangements, the Group's leverage is calculated on the basis of net debt without IFRS 16 lease liabilities and at the Coats Group Finance Company Limited level. Net debt excluding IFRS 16 lease liabilities at the Coats Group Finance Company Limited level at 31 December 2024 for covenant purposes was $454.3 million (31 December 2023: $388.8 million).

The components of net debt and movements during the periods are set out below:

	Series A and Series B Senior Notes US$m	Bank loans US$m	Lease liabilities US$m	Total financing activity liabilities US$m	Bank overdrafts US$m	Cash at bank and in hand US$m	Net debt US$m
At 1 January 2023	(222.3)	(329.8)	(105.4)	(657.5)	(14.7)	172.4	(499.8)
Financing cash flows	(248.6)	307.0	18.5	76.9	–	–	76.9
Other cash flows	–	–	5.6	5.6	(6.2)	(36.0)	(36.6)
Disposal of subsidiaries	–	–	0.9	0.9	–	(1.2)	(0.3)
Non-cash movements	(1.4)	(1.3)	(7.5)	(10.2)	–	–	(10.2)
Foreign exchange	–	0.8	1.1	1.9	–	(2.8)	(0.9)
At 31 December 2023	(472.3)	(23.3)	(86.8)	(582.4)	(20.9)	132.4	(470.9)
Financing cash flows	**(123.7)**	**28.0**	**19.2**	**(76.5)**	**–**	**–**	**(76.5)**
Other cash flows	**–**	**–**	**5.2**	**5.2**	**20.7**	**9.8**	**35.7**
Non-cash movements	**0.9**	**(4.7)**	**(18.2)**	**(22.0)**	**–**	**–**	**(22.0)**
Foreign exchange	**–**	**–**	**(2.6)**	**(2.6)**	**–**	**3.8**	**1.2**
At 31 December 2024	**(595.1)**	**–**	**(83.2)**	**(678.3)**	**(0.2)**	**146.0**	**(532.5)**

The non-cash movement during the year ended 31 December 2024 of $18.2 million (2023: $7.5 million) within lease liabilities relates to the following: the unwind of lease liabilities of $5.2 million (2023: $5.6 million) and the impact of entering into new leases, disposals and modification of existing leases of $13.0 million (2023: $1.9 million).

Total interest paid during the year ended 31 December 2024 was $31.5 million (2023: $33.7 million), which primarily relates to the above Senior Notes, bank loans and overdrafts and lease liabilities. Total interest charged to the profit and loss account for the year ended 31 December 2024 for the above Senior Notes, bank loans and overdrafts and lease liabilities was $36.5 million (2023: $35.9 million).

Notes to the financial statements cont.

30 Notes to the consolidated cash flow statement cont.

Total net debt is presented in the consolidated statement of financial position as follows:

Year ended 31 December	2024 US$m	2023 US$m
Current assets:		
Cash and cash equivalents	**146.0**	132.4
Current liabilities:		
Bank overdrafts and other borrowings	**(0.2)**	(144.3)
Lease liabilities	**(16.6)**	(17.5)
Non-current liabilities:		
Borrowings	**(595.1)**	(372.2)
Lease liabilities	**(66.6)**	(69.3)
Total net debt	**(532.5)**	(470.9)

31 Discontinued operations

Sale of European Zips business

On 30 June 2023 the Group entered into an agreement to sell its European Zips business to Aequita, a German family office. The sale was completed on 31 August 2023, the date which control passed to the acquirer. The European Zips business is included in the Apparel segment. The exit from the European Zips business was in line with Coats' previously announced strategic initiatives to optimise the Group's portfolio and footprint, and improve the overall cost base efficiency.

The results of the European Zips business were presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023.

a) Discontinued operations

The results of the discontinued European Zips business for the year ended 31 December 2023 is presented below:

	US$m
Revenue	**25.3**
Cost of sales	**(23.7)**
Gross profit	**1.6**
Distribution costs	**(2.6)**
Administrative expenses	**(2.0)**
Operating loss from discontinued operations	**(3.0)**
Loss on disposal (note 31 (b))	**(17.1)**
Exchange losses transferred to income statement on disposal	**(6.6)**
Total loss from discontinued operations	**(26.7)**

The operating loss before exceptional items of the European zips business for the year ended 31 December 2023 was $1.3 million. Exceptional items charged to operating loss from discontinued operations was $1.7 million. As a result the operating loss of the European Zips business for the year ended 31 December 2023 was $3.0 million.

During the year ended 31 December 2024 the loss from discontinued operations was $0.5 million which related to businesses disposed in prior years.

Exceptional items charged to loss from discontinued operations for the year ended 31 December 2023 are set out below:

	US$m
Strategic project costs	**(1.7)**
Loss on disposal	**(17.1)**
Exchange losses transferred to income statement on disposal	**(6.6)**
Total exceptional items – discontinued operations	**(25.4)**

Loss per ordinary share from discontinued operations

The loss per ordinary share from discontinued operations is as follows:

Year Ended 31 December	2024 Cents	2023 Cents
Loss per ordinary share from discontinued operations:		
Basic loss per ordinary share	**(0.04)**	(1.66)
Diluted loss per ordinary share	**(0.03)**	(1.64)

Notes to the financial statements cont.

31 Discontinued operations cont.

Cash flows from discontinued operations

The table below sets out the cash flows from discontinued operations:

Year ended 31 December	2024 US$m	2023 US$m
Net cash outflow from operating activities	**(1.4)**	(4.0)
Net cash outflow from investing activities	**–**	(0.1)
Net cash flows from discontinued operations	**(1.4)**	(4.1)

b) Loss on disposal

Net assets disposed during the year ended 31 December 2023 relating to the European Zips business amounted to $13.9 million. The exceptional loss on disposal included in the results of discontinued operations for the year ended 31 December 2023 was $17.1 million, which included disposal costs and completion adjustments of $5.1 million.

The consideration received for the sale of the European Zips business was $1.9 million and, net of cash and cash equivalents and bank overdrafts disposed, there was a net inflow of $0.7 million. Disposal costs of $2.7 million were paid in the year ended 31 December 2023 and as a result the cash outflow in the year ended 31 December 2023 on the sale of the European Zips business was $2.0 million.

32 Related party transactions

Remuneration of key management personnel

The Group Executive Team and Non-Executive Directors are deemed to be the key management personnel of the Group. The remuneration of the Group Executive Team and Non-Executive Directors, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information regarding the remuneration of individual directors is provided on pages 86 to 100 in the audited part of the Directors' Remuneration Report.

Year ended 31 December	2024 US$m	2023 US$m
Short-term employee benefits	**8.7**	6.2
Share based payments	**3.9**	3.0
	12.6	9.2

Trading transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Purchase of goods	
	2024 US$m	2023 US$m	2024 US$m	2023 US$m
Joint ventures	**1.9**	1.4	**63.2**	55.7

Amounts owing by/(to) joint ventures at the year end are disclosed in notes 19 and 21. All transactions with joint ventures are at an arm's length and payment terms are consistent with normal trading terms with third parties.

Notes to the financial statements cont.

33 Derivatives and other financial instruments

The Group's main financial instruments comprise:

Financial assets:

- cash and cash equivalents;
- trade and other receivables that arise directly from the Group's operations; and
- derivatives, including forward foreign currency contracts and interest rate swaps.

Financial liabilities:

- trade, other payables and certain provisions that arise directly from the Group's operations;
- bank borrowings and overdrafts; and
- derivatives, including forward foreign currency contracts and interest rate swaps.

Financial assets

The Group's financial assets are summarised below:

Year ended 31 December	2024 US$m	2023 US$m
Financial assets carried at amortised cost:		
Cash and cash equivalents	**146.0**	132.4
Trade receivables (note 19)	**252.2**	241.0
Loan receivable (note 10)	**38.3**	–
Other receivables (note 19), net of non-financial assets $31.7 million (2023: $35.6 million)	**15.3**	19.9
	451.8	393.3
Financial assets carried at fair value through the income statement:		
Derivative financial instruments (note 20)	**0.9**	1.3
	0.9	1.3
Other financial assets carried at fair value through the statement of comprehensive income:		
Other investments (note 16)	**0.6**	0.9
	0.6	0.9
Total financial assets	**453.3**	395.5

Financial liabilities

The Group's financial liabilities are summarised below:

Year ended 31 December	2024 US$m	2023 US$m
Financial liabilities carried at amortised cost:		
Trade payables (note 21)	**167.2**	163.2
Amounts owed to joint ventures (note 21)	**16.1**	15.3
Other financial liabilities	**67.0**	72.4
Provisions	**0.7**	0.8
Lease liabilities (note 15)	**83.2**	86.8
Borrowings (note 23)	**595.3**	516.5
	929.5	855.0
Financial liabilities carried at fair value through the income statement:		
Derivative financial instruments (note 22)	**2.3**	3.6
Total financial liabilities	**931.8**	858.6

Other financial liabilities include other payables, other than taxation, contract liabilities, employee entitlements and other statutory liabilities.

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

Fair value of financial assets and liabilities

The fair value of the Group's financial assets and liabilities is summarised below:

Year ended 31 December	2024 Book value US$m	2024 Fair value US$m	2023 Book value US$m	2023 Fair value US$m
Primary financial instruments:				
Cash and cash equivalents	**146.0**	**146.0**	132.4	132.4
Trade receivables	**252.2**	**252.2**	241.0	241.0
Loan receivable	**38.3**	**38.3**	–	–
Other receivables	**15.3**	**15.3**	19.9	19.9
Other investments	**0.6**	**0.6**	0.9	0.9
Trade payables	**(167.2)**	**(167.2)**	(163.2)	(163.2)
Amounts owed to joint ventures	**(16.1)**	**(16.1)**	(15.3)	(15.3)
Other financial liabilities and provisions	**(67.7)**	**(67.7)**	(73.2)	(73.2)
Borrowings	**(595.3)**	**(595.3)**	(516.5)	(516.5)
Derivative financial instruments:				
Forward foreign currency contracts	**(1.4)**	**(1.4)**	(0.5)	(0.5)
Interest rate swaps	**–**	**–**	(1.8)	(1.8)
Net financial liabilities	**(395.3)**	**(395.3)**	(376.3)	(376.3)

Unlisted investments are stated at fair value. For floating rate financial assets and liabilities, and for fixed rate financial assets and liabilities with a maturity of less than 12 months, it has been assumed that fair values are approximately the same as book values. Fair values for forward foreign currency contracts have been estimated using applicable forward exchange rates at the year end. All other fair values have been calculated by discounting expected cash flows at prevailing interest rates.

Fair value measurements recognised in the statement of financial position

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those 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
- Level 3 fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not observable market data (unobservable inputs).

Financial assets measured at fair value

Year ended 31 December	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
2024				
Financial assets measured at fair value through the income statement:				
Trading derivatives	**0.9**	–	**0.9**	–
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	**0.6**	–	–	**0.6**
2023				
Financial assets measured at fair value through the income statement:				
Trading derivatives	1.3	–	1.3	–
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	0.9	–	–	0.9

Financial liabilities measured at fair value

Year ended 31 December	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
2024				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(2.3)**	–	**(2.3)**	–
2023				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(1.8)	–	(1.8)	–
Derivatives designated as effective hedging instruments	(1.8)	–	(1.8)	–
	(3.6)	–	(3.6)	–

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

Level 1 financial instruments are valued based on quoted bid prices in an active market. Level 2 financial instruments are measured by discounted cash flow. For interest rates swaps future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties. For foreign exchange contracts future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties.

The main risks arising from the Group's financial instruments are as follows:

– currency risk;
– interest rate risk;
– capital risk;
– market price risk;
– liquidity risk; and
– credit risk.

The Group's policies for managing those risks are described on pages 170 to 174 and, except as noted, have remained unchanged since the beginning of the year to which these financial statements relate.

Currency risk

The income and capital value of the Group's financial instruments can be affected by exchange rate movements as a significant portion of both its financial assets and financial liabilities are denominated in currencies other than US Dollars, which is the Group's presentational currency. The accounting impact of these exposures will vary according to whether or not the Group company holding such financial assets and liabilities reports in the currency in which they are denominated.

The Board recognises that the Group's US Dollar statement of financial position will be affected by short-term movements in exchange rates, particularly the value of Sterling, Euro and Indian Rupee. The Group's investments reflect the requirements of its customers, which results in investments in potentially more volatile developing market currencies. However, as a diverse global business, there are many natural offsets within the Group that tend to mitigate the risk associated with any individual currency volatility.

The Group uses forward foreign currency contracts to mitigate the currency exposure that arises on business transacted by group companies in currencies other than their functional currency. Such foreign currency contracts are only entered into when there is a commitment to the underlying transaction. The contracts used to hedge future transactions typically have a maturity of between three months and one year.

Interest rate risk

In 2024, the Group financed its operations through shareholders' funds, bank borrowings, Senior Notes and overdrafts. The Group's trading subsidiaries use a mixture of fixed and floating rate debt. The Group also has access to committed bank facilities amounting to some $420.0 million, of which $nil had been drawn down at year end, and $600.0 million of Senior Notes (see note 23).

Interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings using interest rate swap contracts. Interest rate swaps are accounted for as fair value or cash flow hedges, depending on initial designation. Hedging activities are evaluated regularly to align with interest rate views and risk appetite. In order to achieve hedge effectiveness, when entering into interest rate swap contracts, the cash flows, interest rate references and maturity of the underlying exposure of the hedged item are considered so as to match the hedging instrument. The ratio of fixed to floating rate hedging is established according to Group policy which prescribes a banded range for the fixed to floating ratio. The ratio of fixed to floating will decrease over a rolling 5-year period.

As at 31 December 2024 the Group did not have any interest rate swap contracts designated as fair value or cash flow hedges.

The Group's interest income does not vary significantly from the returns it would generate through investing surplus cash at floating rates of interest since the interest rates are re-set on a regular basis.

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

A reasonably possible change of one per cent in market interest rates would reduce profit before tax by approximately $0.8 million (2023: $1.8 million), and would reduce shareholders' funds by approximately $0.8 million (2023: $1.8 million). If interest rates fluctuate by a different rate, the aforementioned approximate impact can be linearly interpolated.

Trade and other receivables and trade and other payables are excluded from the following disclosure (other than the currency disclosures) as there is limited interest rate risk.

Capital risk management

The Group manages its capital so as to ensure that the Company and the Group will be able to continue as a going concern.

The Group's capital structure comprises cash and cash equivalents and borrowings (see summary of net debt on page 165), and share capital and reserves attributable to the equity shareholders of the Company.

Currency exposure

The table below shows the extent to which Group companies have financial assets and liabilities, excluding forward foreign currency contracts, in currencies other than their functional currency. Foreign exchange differences arising on retranslation of these assets and liabilities are taken to the Group income statement. The table excludes loans between Group companies that form part of the net investment in overseas subsidiaries on which the exchange differences are dealt with through reserves, but includes other Group balances that eliminate on consolidation.

	Net foreign currency financial assets/(liabilities)					
Functional currency 2024	**Sterling US$m**	**US dollars US$m**	**Euro US$m**	**Indian Rupees US$m**	**Other US$m**	**Total US$m**
Sterling	**–**	**2.5**	**2.9**	**–**	**–**	**5.4**
United States dollars	**(16.4)**	**–**	**(1.8)**	**0.9**	**6.4**	**(10.9)**
Euros	**–**	**(3.4)**	**–**	**–**	**0.4**	**(3.0)**
Indian Rupees	**–**	**3.2**	**(0.5)**	**–**	**–**	**2.7**
Other currencies	**(1.7)**	**12.8**	**3.9**	**–**	**8.6**	**23.6**
	(18.1)	**15.1**	**4.5**	**0.9**	**15.4**	**17.8**

	Net foreign currency financial assets/(liabilities)					
Functional currency 2023	Sterling US$m	US dollars US$m	Euro US$m	Indian Rupees US$m	Other US$m	Total US$m
Sterling	–	(9.4)	0.8	–	0.5	(8.1)
United States dollars	(16.0)	–	(7.0)	0.7	6.0	(16.3)
Euros	–	17.5	–	–	(0.6)	16.9
Indian Rupees	(0.2)	3.3	–	–	0.9	4.0
Other currencies	(0.8)	20.7	8.4	–	4.6	32.9
	(17.0)	32.1	2.2	0.7	11.4	29.4

The following table shows the impact on pre-tax profit and shareholders' funds of reasonably possible changes in exchange rates against each of the major foreign currencies in which the Group transacts:

2024	**Sterling US$m**	**Euro US$m**	**Indian Rupees US$m**
Increase in US dollar exchange rate	**10%**	**10%**	**10%**
(Decrease)/increase in profit before tax	**(2.1)**	**0.2**	**(0.2)**
Increase in shareholders' funds	**6.8**	**4.3**	**6.5**

2023	Sterling US$m	Euro US$m	Indian Rupees US$m
Increase in US dollar exchange rate	**10%**	**10%**	**10%**
Decrease in profit before tax	**(0.8)**	**(2.5)**	**(0.3)**
Increase in shareholders' funds	**13.9**	**7.9**	**5.3**

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

Currency profile of financial assets

The currency profile of the Group's financial assets was as follows:

31 December	2024 Investments US$m	2024 Cash and cash equivalents US$m	2024 Trade and other receivables US$m	2024 Derivative financial instruments US$m	2024 Total US$m	2023 Investments US$m	2023 Cash and cash equivalents US$m	2023 Trade and other receivables US$m	2023 Derivative financial instruments US$m	2023 Total US$m
Currency:										
Sterling	–	–	**42.1**	–	**42.1**	–	0.9	6.2	2.9	10.0
United States dollars	–	**81.7**	**138.1**	**10.5**	**230.3**	–	70.9	127.8	(18.7)	180.0
Euros	**0.1**	**3.9**	**26.4**	**(12.6)**	**17.8**	0.1	9.4	36.5	(0.4)	45.6
Indian Rupees	**0.5**	**17.8**	**29.9**	–	**48.2**	0.5	19.5	26.0	0.5	46.5
Other currencies	–	**42.6**	**69.3**	**3.0**	**114.9**	0.3	31.7	64.4	17.0	113.4
Total financial assets	**0.6**	**146.0**	**305.8**	**0.9**	**453.3**	0.9	132.4	260.9	1.3	395.5

The investments included above comprise unlisted investments in shares and bonds. Trade and other receivables in the above table include the pension loan receivable.

Currency and interest rate profile of financial liabilities

The currency and interest rate profile of the Group's financial liabilities was as follows:

31 December	2024 Floating rate US$m	2024 Fixed rate US$m	2024 Interest free US$m	2024 Lease liabilities US$m	2024 Derivative financial instruments US$m	2024 Total US$m	2023 Floating rate US$m	2023 Fixed rate US$m	2023 Interest free US$m	2023 Lease liabilities US$m	2023 Derivative financial instruments US$m	2023 Total US$m
Currency:												
Sterling	–	–	**2.1**	**2.7**	**(11.3)**	**(6.5)**	0.8	–	6.1	3.6	(15.1)	(4.6)
United States dollars	–	**595.1**	**115.1**	**23.9**	**58.0**	**792.1**	102.4	410.0	102.8	25.5	(0.4)	640.3
Euros	**0.2**	–	**17.5**	**8.5**	**(0.2)**	**26.0**	3.3	–	21.5	10.3	15.9	51.0
Indian Rupees	–	–	**34.3**	**5.8**	–	**40.1**	–	–	43.0	2.2	(2.7)	42.5
Other currencies	–	–	**82.0**	**42.3**	**(44.2)**	**80.1**	–	–	78.3	45.2	5.9	129.4
Total financial liabilities	**0.2**	**595.1**	**251.0**	**83.2**	**2.3**	**931.8**	106.5	410.0	251.7	86.8	3.6	858.6

The benchmark for determining floating rate liabilities in the UK is the risk-free rate for both sterling and US$ amounts.

Details of fixed and non interest-bearing liabilities (excluding derivatives and trade and other payables) are provided below:

Year ended 31 December	2024 Fixed rate financial liabilities: Weighted average interest rate %	2024 Fixed rate financial liabilities: Weighted average period for which rate is fixed (months)	2024 Financial liabilities on which no interest is paid: Weighted average period until maturity (months)	2023 Fixed rate financial liabilities: Weighted average interest rate %	2023 Fixed rate financial liabilities: Weighted average period for which rate is fixed (months)	2023 Financial liabilities on which no interest is paid: Weighted average period until maturity (months)
Currency:						
Sterling	–	–	**18**	–	–	18
United States dollars	**5.15**	**61**	–	4.79	49	–
Weighted average	**5.15**	**61**	**18**	4.79	49	18

Currency profile of foreign exchange derivatives

Year ended 31 December	Assets 2024 US$m	Assets 2023 US$m	Liabilities 2024 US$m	Liabilities 2023 US$m
Currency:				
Sterling	**11.3**	18.0	–	–
United States dollars	**18.8**	26.1	**(66.4)**	(42.7)
Euros	**0.2**	–	**(12.6)**	(16.3)
Indian Rupee	–	3.2	–	–
Other currencies	**52.8**	21.9	**(5.5)**	(10.7)
	83.1	69.2	**(84.5)**	(69.7)

Market price risk

The Group has equity investments at 31 December 2024 of $0.6 million (2023: $0.9 million) held for strategic rather than trading purposes. The Group does not actively trade these investments and is not materially exposed to price risk.

The sensitivity analyses below have been determined based on the exposure to reasonably possible price changes for the investments held at the year end.

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

Year ended 31 December	2024 US$m	2023 US$m
Impact of a 10% increase in prices:		
Increase in pre-tax profit for the year	–	–
Increase in equity shareholders' funds	**0.1**	0.1

Liquidity risk

The Group typically holds cash balances in deposits with a short maturity. Additional resources can be drawn through committed borrowing facilities at operating subsidiary level. During the year the Group has complied with all externally imposed capital requirements.

The Group had the following undrawn committed borrowing facilities in respect of which all conditions precedent had been met at the year-end:

Year ended 31 December	2024 US$m	2023 US$m
Expiring between one and two years	–	–
Expiring between two and five years	**420.0**	335.0

Maturity of undiscounted financial assets (excluding derivatives)

The expected maturity of the Group's financial assets, using undiscounted cash flows, was as follows:

Year ended 31 December	2024 US$m	2023 US$m
In one year or less, or on demand	**403.0**	387.9
In more than one year but not more than two years	**10.5**	5.4
In more than two years but not more than five years	**38.3**	–
In more than five years	**0.6**	0.9
	452.4	394.2

Maturity of undiscounted financial liabilities (excluding derivatives)

The expected maturity of the Group's financial liabilities, using undiscounted cash flows, was as follows:

Year ended 31 December	2024 US$m	2023 US$m
In one year or less, or on demand	**271.6**	417.6
In more than one year but not more than two years	**17.7**	16.1
In more than two years but not more than five years	**293.4**	313.8
In more than five years	**370.6**	131.9
	953.3	879.4

The above table comprises the gross amounts payable in respect of borrowings (including interest thereon), lease liabilities, trade and other non-statutory payables and certain provisions, over the period to the maturity of those liabilities.

Maturity of undiscounted financial derivatives

The maturity of the Group's financial derivatives (on a gross basis), which include interest rate and foreign exchange swaps, using undiscounted cash flows, was as follows:

	Assets		Liabilities	
Year ended 31 December	2024 US$m	2023 US$m	2024 US$m	2023 US$m
In one year or less, or on demand	**83.0**	69.2	**(84.4)**	(71.9)
	83.0	69.2	**(84.4)**	(71.9)

Notes to the financial statements cont.

33 Derivatives and other financial instruments cont.

Credit risk

Year ended 31 December	2024 US$m	2023 US$m
The Group considers its maximum exposure to credit risk to be as follows:		
Cash and cash equivalents	**146.0**	132.4
Derivative financial instruments	**0.9**	1.3
Trade receivables (net of impairment provision)	**252.2**	241.0
Loan receivable	**38.3**	–
Other receivables	**15.3**	19.9
	452.7	394.6
Financial assets considered not to have exposure to credit risk:		
Other investments	**0.6**	0.9
Total financial assets	**453.3**	395.5
Analysis of trade receivables over permitted credit period:		
Trade receivables up to 1 month over permitted credit period	**15.3**	19.6
Trade receivables between 1 and 2 months over permitted credit period	**5.2**	3.7
Trade receivables between 2 and 3 months over permitted credit period	**1.9**	1.7
Trade receivables between 3 and 6 months over permitted credit period	**2.0**	1.6
Trade receivables in excess of 6 months over permitted credit period	**1.6**	1.3
Total trade receivables (net of impairment provision) in excess of permitted credit period	**26.0**	27.9
Trade receivables within permitted credit period	**226.2**	213.1
Total net trade receivables	**252.2**	241.0
Analysis of trade receivables impairment provision:		
Trade receivables up to 1 month over permitted credit period	**0.5**	0.6
Trade receivables between 1 and 2 months over permitted credit period	**0.1**	0.1
Trade receivables between 2 and 3 months over permitted credit period	**0.4**	0.1
Trade receivables between 3 and 6 months over permitted credit period	**1.1**	0.6
Trade receivables in excess of 6 months over permitted credit period	**8.0**	5.9
Total impairment provision	**10.1**	7.3

Trade receivables consist of a large number of customers, spread across diverse geographical areas and industries.

Customers requesting credit facilities are subject to a credit quality assessment, which may include a review of their financial strength, previous credit history with the Group, payment record with other suppliers, bank references and credit rating agency reports. All active customers are subject to an annual, or more frequent if appropriate, review of their credit limits and credit periods.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables (see note 19).

When determining expected losses for trade receivables, the Group takes into account the historical default experience and the financial position of the counterparties, as well as the future prospects considering various sources of information.

The Group does not have a significant credit risk exposure to any single customer.

Hedges

During 2024, the Group has hedged the following exposures:

- interest rate risk – using interest rate swaps which are designated as fair value or cash flow hedges; and
- currency risk – using forward foreign currency contracts.

The interest rate swaps matured in December 2024 and therefore the Group does not have any interest rate swaps designated as fair value or cash flow hedges at 31 December 2024. At 31 December 2024, the fair value of forward foreign currency contracts was a net liability of $1.4 million (2023: $0.5 million).

Notes to the financial statements cont.

34 Share-based payments

The total cost recognised in the consolidated Income Statement in respect of equity settled share-based payment plans was as follows:

Year ended 31 December	2024 US$m	2023 US$m
Long Term Incentive Plan (LTIP)	**7.0**	6.1
Deferred bonuses	**0.9**	0.9
	7.9	7.0

The average share price for the year ended 31 December 2024 was 86.4p (2023: 72.1p).

LTIP

Under the terms of the Coats Group LTIP, executive directors and key senior executives may be awarded each year conditional entitlements over ordinary shares in the Company in the form of nil cost options. The vesting of awards is usually subject to the satisfaction of a three year performance period, determined by the Remuneration Committee at the time of grant. Where performance conditions have applied, these include both market and non-market based measures.

Details of options outstanding under equity settled awards:

	2024 Options	2023 Options
Outstanding at 1 January	**35,570,376**	40,895,571
Granted during the year	**11,317,541**	11,100,414
Vested during the year	**(432,103)**	(10,718,829)
Lapsed during the year	**(4,474,341)**	(2,819,551)
Exercised during the year	**(9,025,994)**	(2,887,229)
Outstanding at 31 December	**32,955,479**	35,570,376
Exercisable at 31 December	**5,731,656**	3,188,382

The options outstanding at 31 December 2024 had a weighted average remaining contractual life of 7.6 years (2023: 7.5 years).

The fair value of the market-based component of these awards was calculated using the Monte Carlo simulation method to reflect the likelihood of the market-based Total Shareholder Return (TSR) performance condition, which attach to 25% (2023: 30%) of the award, being met, using the following assumptions:

	2024	2023
Vesting period	**3 Years**	3 Years
Share price at valuation date	**78.8p**	78.4p
Exercise price	**Nil**	Nil
Risk free rate	**3.93%**	3.29%
Expected dividend yield	**0%**	0%
Expected volatility	**34.16%**	35.84%
Fair value per share	**49.2p**	56.5p

Deferred bonuses

Under the terms of the Coats Group Deferred Bonus Plan, any bonuses awarded to executive directors and key senior management will be the subject of a mandatory 25% to 50% deferred into shares, to be held for a three year retention period. Annual bonuses will be determined by reference to performance, in the normal course measured over one financial year. Awards are normally exercisable after three years.

The options outstanding at 31 December 2024 had a weighted average remaining contractual life of 7.9 years (2023: 8.4 years).

35 Post balance sheet events

There are no material post balance sheet events requiring adjustment or disclosure.

36 Alternative performance measures

This Annual Report contains both statutory measures and alternative performance measures which, in management's view, provide valuable additional information for users of the financial statements in understanding the Group's performance.

The Group's alternative performance measures and key performance indicators are aligned to the Group's strategy and together are used to measure the performance of the business. A number of these measures form the basis of performance measures for remuneration incentive schemes.

Notes to the financial statements cont.

36 Alternative performance measures cont.

Alternative performance measures are non-GAAP (Generally Accepted Accounting Practice) measures and provide supplementary information to assist with the understanding of the Group's financial results and with the evaluation of operating performance for all the periods presented. Alternative performance measures, however, are not a measure of financial performance under United Kingdom adopted international accounting standards ('IFRS') and should not be considered as a substitute for measures determined in accordance with IFRS. As the Group's alternative performance measures are not defined terms under IFRS they may therefore not be comparable with similarly titled measures reported by other companies.

A reconciliation of alternative performance measures to the most directly comparable measures reported in accordance with IFRS is provided below.

a) Organic growth on a constant exchange rate (CER) basis

Organic growth measures the change in revenue and operating profit before exceptional and acquisition related items after adjusting for acquisitions. The effect of acquisitions is equalised by:

- removing from the year of acquisition, their revenue and operating profit; and
- in the following year, removing the revenue and operating profit for the number of months equivalent to the pre-acquisition period in the prior year.

There were no acquisitions in the year ended 31 December 2024 and 2023.

The effects of currency changes are removed through restating prior year revenue and operating profit at current year exchange rates. The principal exchange rates used are set out in note 1.

Organic revenue growth on a CER basis measures the ability of the Group to grow sales by operating in selected geographies and segments and offering differentiated cost competitive products and services.

Adjusted organic operating profit growth on a CER basis measures the profitability progression of the Group.

Adjusted operating profit is calculated by adding back exceptional and acquisition related items (see note 4 for further details).

Year ended 31 December	2024 US$m	2023 US$m	% Growth
Revenue from continuing operations	1,500.9	1,394.2	8%
Constant currency adjustment	–	(17.7)	
Organic revenue on a CER basis	1,500.9	1,376.5	9%

Year ended 31 December	2024 US$m	2023 US$m	% Growth
Operating profit from continuing operations[1]	199.8	184.0	9%
Exceptional and acquisition related items (note 4)	69.8	49.4	
Adjusted operating profit from continuing operations	269.6	233.4	16%
Constant currency adjustment	–	(4.1)	
Organic adjusted operating profit on a CER basis	269.6	229.3	18%

1. Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

b) Adjusted EBITDA

Adjusted EBITDA is presented as an alternative performance measure to show the operating performance of the Group excluding the effects of depreciation of property, plant and equipment and right-of-use, amortisation and impairments and excluding exceptional and acquisition related items.

Operating profit from continuing operations before exceptional and acquisition related items and before depreciation of property, plant and equipment and right-of-use assets and amortisation (Adjusted EBITDA) is as set out below:

Year ended 31 December	2024 US$m	2023 US$m
Profit before taxation from continuing operations	172.1	155.8
Share of profit of joint ventures	(1.9)	(1.1)
Finance income (note 6)	(3.1)	(4.6)
Finance costs (note 7)	32.7	33.9
Operating profit from continuing operations[1]	199.8	184.0
Exceptional and acquisition related items (note 4)	69.8	49.4
Adjusted operating profit from continuing operations	269.6	233.4
Depreciation of owned property, plant and equipment	25.4	27.0
Amortisation of intangible assets	1.6	1.4
Adjusted EBITDA including IFRS 16 depreciation of right-of-use assets (Pre-IFRS 16 basis)	296.6	261.8
Depreciation of right-of-use assets	18.0	18.8
Adjusted EBITDA	314.6	280.6

1. Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

Notes to the financial statements cont.

36 Alternative performance measures cont.

Net debt including lease liabilities under IFRS 16 at 31 December 2024 was $532.5 million (2023: $470.9 million).

This gives a leverage ratio of net debt including lease liabilities to adjusted EBITDA at 31 December 2024 of 1.7 (2023: 1.7).

Net debt excluding lease liabilities under IFRS 16 at 31 December 2024 was $449.3 million (2023: $384.1 million).

This gives a leverage ratio on a pre-IFRS 16 basis at 31 December 2024 of 1.5 (2023: 1.5).

For the definition and calculation of net debt excluding lease liabilities see note 30 (g).

For financial covenant purposes under the Group's borrowing arrangements, leverage is measured at the Coats Group Finance Company consolidated level under frozen accounting standards and excludes the effects of IFRS 16. Adjusted EBITDA at the Coats Group Finance Company Limited consolidated level for the year ended 31 December 2024 for covenant purposes was $290.8 million (2023: $260.0 million). Net debt excluding IFRS 16 lease liabilities at the Coats Group Finance Company Limited consolidated level at 31 December 2024 for covenant purposes was $454.3 million (2023: $388.8 million). This gives a leverage ratio at 31 December 2024 of 1.6 (2023: 1.5) for covenant purposes. The financial covenant under the Group's borrowing arrangements is for leverage to be less than 3.0 and this covenant was met at 31 December 2024 and 31 December 2023.

c) Adjusted effective tax rate

The adjusted effective tax rate removes the tax impact of exceptional and acquisition related items to arrive at a tax rate based on the adjusted profit before taxation.

Year ended 31 December	2024 US$m	2023 US$m
Profit before taxation from continuing operations	**172.1**	155.8
Exceptional and acquisition related items (note 4)	**69.8**	49.4
Net interest on pension scheme assets and liabilities*	**–**	(4.4)
Adjusted profit before taxation from continuing operations	**241.9**	200.8
Taxation charge from continuing operations	**71.9**	55.0
Tax (charge)/credit in respect of exceptional and acquisition related items	**(1.8)**	2.9
Tax credit in respect of net interest on pension scheme assets and liabilities*	**–**	0.2
Adjusted tax charge from continuing operations	**70.1**	58.1
Adjusted effective tax rate	**29%**	29%

*In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a bulk annuity policy ("buy-in"), which insures the remaining 80% of the UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the UK pension scheme's liabilities are now fully hedged (see note 10). The Group no longer adjusts net interest on pension scheme assets and liabilities in arriving at the adjusted effective tax rate as volatility in this interest for the Coats UK pension scheme has now been eliminated. This is the basis on which management now monitors and manages the effective tax rate. For the year ended 31 December 2023 and prior periods, net interest on pension scheme assets and liabilities was adjusted in arriving at the adjusted effective tax rate. The adjusted effective tax rate for the year ended 31 December 2023 would have been 28% if the same basis of calculation used for the year ended 31 December 2024 had been applied.

d) Adjusted earnings per share

The calculation of adjusted earnings per share is based on the profit from continuing operations attributable to equity shareholders before exceptional and acquisition related items as set out below. Adjusted earnings per share growth measures the progression of the benefits generated for shareholders.

Year ended 31 December	2024 US$m	2023 US$m
Profit from continuing operations	**100.2**	100.8
Non-controlling interests	**(19.6)**	(17.6)
Profit from continuing operations attributable to equity shareholders	**80.6**	83.2
Exceptional and acquisition related items net of non-controlling interests (note 4)	**69.8**	48.8
Tax charge/(credit) in respect of exceptional and acquisition related items	**1.8**	(2.9)
Adjusted profit from continuing operations	**152.2**	129.1
Weighted average number of Ordinary Shares	**1,604,461,401**	1,604,955,182
Adjusted earnings per share (cents)	**9.49**	8.04
Adjusted earnings per share (growth %)	**18%**	

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share for the year ended 31 December 2024 is 1,604,461,401 (2023: 1,604,955,182), the same as that used for basic earnings per ordinary share from continuing operations (see note 11).

Notes to the financial statements cont.

36 Alternative performance measures cont.

e) Adjusted free cash flow

Net cash generated by operating activities, a GAAP measure, reconciles to changes in net debt resulting from cash flows (free cash flow) as set out in the consolidated cash flow statement. A reconciliation of free cash flow to adjusted free cash flow is set out below.

Consistent with previous periods, adjusted free cash flow is defined as cash generated from continuing activities less capital expenditure, interest, tax, dividends to minority interests and other items, and excluding exceptional and discontinued items, acquisitions, purchase of own shares by the Employee Benefit Trust and payments to the UK pension scheme.

Adjusted free cash flow measures the Group's cash generation that is available to service shareholder dividends, pension obligations and acquisitions.

Year ended 31 December	2024 US$m	2023 US$m
Change in net debt resulting from cash flows (free cash flow)	**(57.6)**	15.0
Disposal of businesses (note 31)	**–**	1.2
Net cash outflow from discontinued operations (note 31)	**1.4**	4.1
Payments to UK pension scheme	**135.6**	48.9
Net cash flows in respect of other exceptional and acquisition related items	**20.9**	12.6
Purchase of own shares by Employee Benefit Trust	**8.7**	10.1
Dividends paid to equity shareholders	**46.2**	40.3
Tax inflow in respect of adjusted cash flow items	**(2.0)**	(1.7)
Adjusted free cash flow	**153.2**	130.5

f) Adjusted return on capital employed

Adjusted return on capital employed (ROCE) is defined as operating profit before exceptional and acquisition related items adjusted for the full year impact of acquisitions divided by period end capital employed as set out below. Adjusted ROCE measures the ability of the Group's assets to deliver returns.

Year ended 31 December	2024 US$m	2023 US$m
Operating profit from continuing operations before exceptional and acquisition related items adjusted for full year impact of acquisitions[1]	**269.6**	233.4
Non-current assets:		
Acquired intangible assets	**317.2**	349.6
Property, plant and equipment	**226.3**	243.2
Right-of-use assets	**68.9**	74.4
Trade and other receivables	**25.0**	19.5
Current assets:		
Inventories	**176.1**	173.5
Trade and other receivables	**292.2**	292.0
Current liabilities:		
Trade and other payables	**(299.2)**	(285.6)
Lease liabilities	**(16.6)**	(17.5)
Non-current liabilities		
Trade and other payables	**(7.4)**	(3.2)
Lease liabilities	**(66.6)**	(69.3)
Capital employed	**715.9**	776.6
Adjusted ROCE	**38%**	30%

1. Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

Company balance sheet

31 December	Notes	2024 US$m	2023 US$m
Fixed assets:			
Investments	4	**1,354.0**	1,354.0
Current assets:			
Trade and other receivables		**1.1**	0.8
Cash at bank and in hand		**0.1**	0.1
		1.2	0.9
Creditors: amounts falling due within one year:			
Loans from subsidiary undertakings		**–**	(7.5)
Trade and other payables		**(1.1)**	(0.8)
Net current assets/(liabilities)		**0.1**	(7.4)
Net assets		**1,354.1**	1,346.6
Capital and reserves:			
Share capital	5	**99.0**	99.0
Share premium account		**111.4**	111.4
Capital redemption reserve		**14.1**	14.1
Share options reserve		**18.5**	18.5
Capital reduction reserve		**59.8**	59.8
Own shares	5	**(5.3)**	(6.1)
Profit and loss account		**1,056.6**	1,049.9
Shareholders' funds		**1,354.1**	1,346.6

The Company reported a profit for the financial year ended 31 December 2024 of $54.1 million (2023: $41.2 million).

David Paja
Group Chief Executive Officer

Jackie Callaway
Group Chief Financial Officer

Approved by the Board 5 March 2025

Company Registration No.103548

Company statement of changes in equity

	Share capital US$m	Share premium account US$m	Capital redemption reserve US$m	Share options reserve US$m	Capital reduction reserve US$m	Own shares US$m	Profit and loss account US$m	Total equity US$m
1 January 2023	99.0	111.4	14.1	18.5	59.8	(0.1)	1,049.9	1,352.6
Profit and total comprehensive expense for the year	–	–	–	–	–	–	41.2	41.2
Dividends to equity shareholders	–	–	–	–	–	–	(40.6)	(40.6)
Purchase of own shares	–	–	–	–	–	(10.1)	–	(10.1)
Movement in own shares	–	–	–	–	–	4.1	(0.6)	3.5
31 December 2023	99.0	111.4	14.1	18.5	59.8	(6.1)	1,049.9	1,346.6
Profit and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**54.1**	**54.1**
Dividends to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(46.5)**	**(46.5)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(8.7)**	**–**	**(8.7)**
Movement in own shares	**–**	**–**	**–**	**–**	**–**	**9.5**	**(0.9)**	**8.6**
31 December 2024	**99.0**	**111.4**	**14.1**	**18.5**	**59.8**	**(5.3)**	**1,056.6**	**1,354.1**

Notes to the company financial statements

1 Accounting policies

The principal accounting policies of the Company are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a) General information and basis of accounting

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) as issued by the Financial Reporting Council. The going concern basis is set out in note 1 of the Group consolidated financial statements. The Company is deemed a qualifying entity under FRS 102, and so may take advantage of the reduced disclosures permitted under the standard.

As a result, the following disclosures have not been provided:

– A statement of cash flows and related disclosures under Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d); and

– Disclosures about share-based payments under Section 26 (paragraphs 26.18(b), 26.19 to 26.21 and 26.23) of FRS 102 have not been provided as equivalent disclosures are included in the consolidated financial statements of Coats Group plc.

Functional currency

The functional currency of the Company continued to be United States dollars (USD) during the year ended 31 December 2024.

b) Fixed assets – investments

Investments in subsidiary undertakings are reflected at cost less provisions for any impairment.

c) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at transaction price. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

d) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss and the assets is reduced to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

e) Share-based payments

Cash-settled

Cash-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at each reporting date. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in liabilities.

Equity-settled

The Group operates an equity-settled Long Term Incentive Plan for executives and senior management, settlement is in the form of Coats Group plc shares. Awards under this plan are subject to both market-based and non-market-based vesting criteria.

The fair value at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. As the Long Term Incentive Plan relates to employees of a subsidiary, when there is no recharge of the cost, the fair value is charged to Investments on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected vesting for non market-based performance conditions and forfeitures. The corresponding credit is to shareholders' funds.

To satisfy awards under this Plan, shares may be purchased in the market by an Employee Benefit Trust (EBT) over the vesting period. Coats Group plc is the sponsoring employer of the EBT and its activities are considered an extension of the Company's activities. Therefore the shares purchased by the EBT are included as a deduction from shareholders' funds and other assets and liabilities of the EBT are recognised as assets and liabilities of Coats Group plc.

f) Taxation

Provision is made for taxation assessable on the profit or loss for the year as adjusted for disallowable and non-taxable items. Deferred taxation is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets (including those attributable to tax losses carried forward) are only recognised if it is considered more likely than not that they will be recovered. Deferred taxation is measured on a non-discounted basis.

g) Dividends

Dividends proposed are recognised in the period in which they are formally approved for payment.

Notes to the company financial statements cont.

1 Accounting policies cont.

h) Critical accounting judgements and key sources of estimation uncertainty

Carrying value of investments:

The carrying values of investments are assessed annually for indicators of impairment. If an impairment review is required judgement is involved in calculating the recoverable amount. No indicators of impairment were identified during the year ended 31 December 2024.

There are no sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Result for the year

The Company has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The profit for the year attributable to shareholders was $54.1 million (2023: $41.2 million). Fees paid for the audit of the Company's annual accounts are disclosed on page 142.

Details of directors' remuneration are set out on pages 86 to 100 within the Remuneration Report and form part of these financial statements.

3 Dividends

Dividends amounting to $46.5 million in respect of the year ended 31 December 2024 were payable to Coats Group plc shareholders (2023: $40.6 million). Details of the proposed final dividend for the year ended 31 December 2024 are set out in note 12 of the consolidated financial statements.

4 Investments

	Investments in subsidiary undertakings US$m
At 1 January 2023, 1 January 2024 and 31 December 2024	**1,354.0**

5 Share capital and reserves

There are 1,597,810,385 Ordinary Shares of 5p issued and fully paid at 31 December 2024 (2023: 1,597,810,385).

The own shares reserve at 31 December 2024 of $5.3 million (2023: $6.1 million) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans. The number of shares held by the Employee Benefit Trust at 31 December 2024 was 4,905,769 (2023: 6,124,223).

As at 31 December 2024 the Company had distributable profits of $288.7 million (2023: $281.3 million).

6 Related party transactions

Amounts due from and to other Group companies are disclosed on the face of the Balance Sheet on page 179.

Taskforce on Climate-Related Financial Disclosures

INTRODUCTION

We have prepared this report with reference to TCFD All Sector Guidance and Supplemental Guidance for Non-Financial Groups.

The Board has noted recommendations in relation to the mandatory disclosures of climate-related financial risk arising from FCA Listing Rule 6.6.6R. In complying with the requirements of the new Listing Rule on climate-related disclosures, we consider our disclosure to be consistent with all of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017. We have also used additional guidance from 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', 2021. This report covers all three divisions over which Coats has operational control.

In this report references are made to other content in this Annual Report and Accounts (ARA) and in our Sustainability Report (SR). To make it easier to locate these references they are always shown in the following formats: (ARA page X) and (SR page X).

This 2024 report covers our governance of climate change and demonstrates how Coats incorporates climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes, aligned to our net-zero ambition, which is described on page 16 of this report.

Climate change continues to be incorporated into the Principal Risks and Uncertainties section of this report on page 55.

Since its incorporation In 2023, we have continued to work with a cross-divisional and functional TCFD working group which supports our evaluation and assessments of physical and transitional climate risks and opportunities and this is a regular agenda item for discussion at our Group Sustainability Committee meetings.

This year we have made changes to our review of physical risks. Instead of using in-house developed physical risk models, we have incorporated use of the Munich Re Location Risk Intelligence Tool to help understand, measure and manage physical risks associated with climate change. The Munich Re Location Risk Intelligence Tool utilises one of the world's most extensive databases for natural disaster and hazard modelling under various climate scenarios.

In 2024, we have further assessed previously reported transition risks and opportunities with associated financial impacts and have added new risks and opportunities related to our materials transition pathway, away from the use of virgin oil-based raw materials. This section of the Annual Report represents Coats' fourth full set of TCFD recommended disclosures, covering the four pillars as shown in the adjacent table.

Recommendation	Recommended disclosures	Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	Pages 55, 78, 79, 183
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Pages 55, 183, 184
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	Pages 55, 184
	b) Describe the organisation's processes for managing climate-related risks	Pages 55, 184
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Pages 47-55, 183-185
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Pages 55, 185-197
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 185-197
	c) Describe the resilience of the organisation's strategy, scenarios, including a 2°C or lower scenario taking into consideration different climate-related risks.	Page 197
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 198
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 108
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 186-188, 198

Taskforce on Climate-Related Financial Disclosures cont.

GOVERNANCE

The sustainability strategy of Coats Group plc, along with the evaluation and management of risks and opportunities related to climate change, is overseen and approved by the Board of Directors at Coats.

The Board endorses material decisions regarding climate-related strategy, metrics, targets, and expenditures, both capital and operational. It also reviews the way in which climate-related factors are embedded into broader strategic and operational matters through the sub-committees outlined below.

Our short- and long-term targets for climate change management are intrinsically linked to our net-zero target (validated by SBTi) and associated initiatives to reduce Scope 1, 2 and 3 emissions in line with the Paris Agreement 1.5 degrees. Our progress against these and against several underlying interim targets, which make up our Net-Zero Transition Plan, are monitored by the Board.

The Group Executive Team (GET) is responsible for climate-related deliverables, with the Board and relevant Board sub-committees receiving progress updates at every Board meeting (generally eight times per year). The GET is responsible for operational delivery of the Group's sustainability strategy, including day-to-day management of operations and responsibility for monitoring detailed performance of all related aspects of the Group's business.

Necessarily, this includes many elements of practical climate-related risk management, for example the GET have been involved in detailed discussions on costs associated with materials transition delivery. Two Board sub-committees have important roles to play in managing climate-related risks and opportunities: The Sustainability Committee is responsible for the sustainability strategy and governance; this includes climate-related issues and receipt of updates on KPI performance from the GET, including mitigating actions relating to climate change.

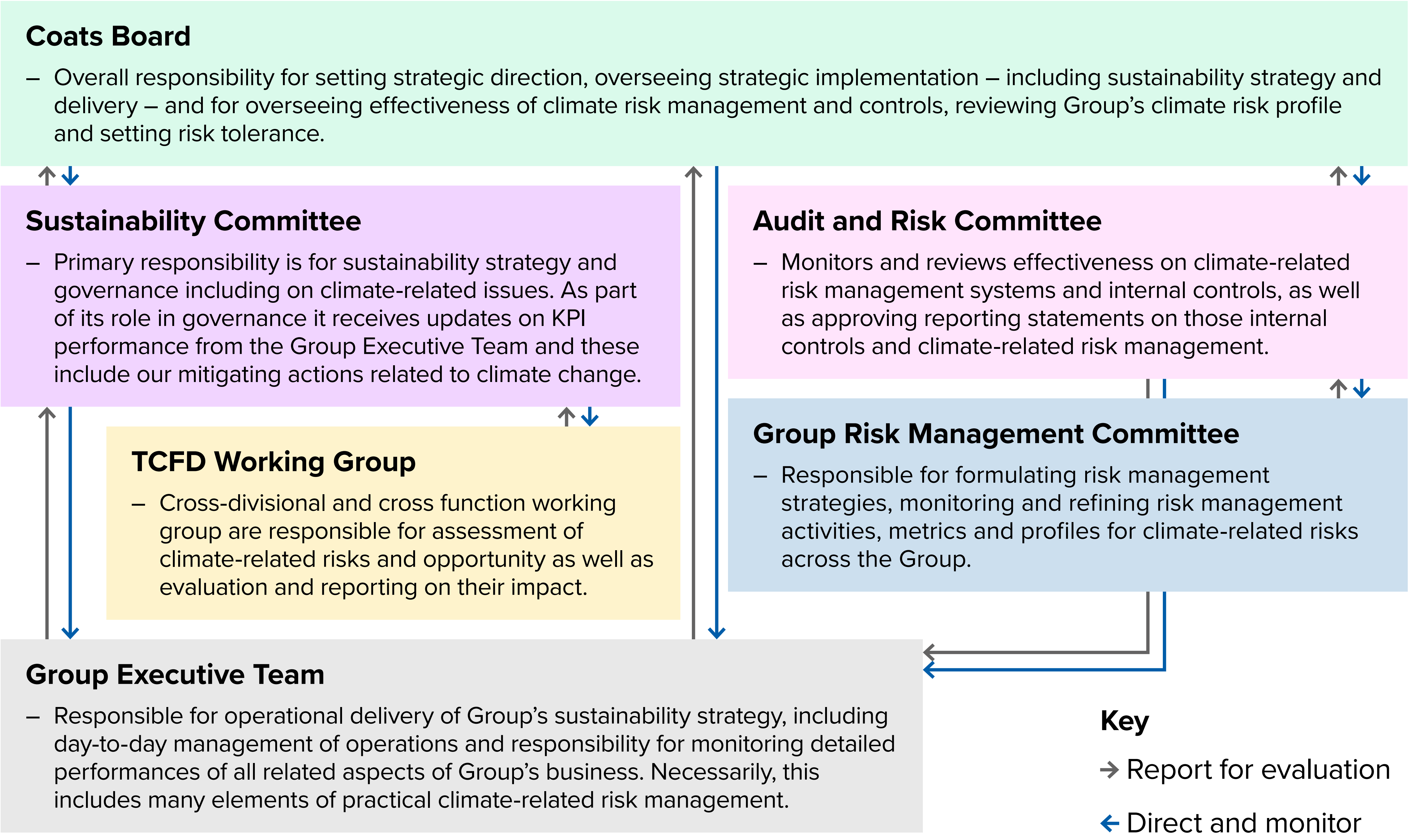
In 2024, we made some structural changes to the composition of our Sustainability Committee to ensure better representation across our three business Divisions. Reflecting the importance of sustainability in Coats, our Group Chairman, David Gosnell, chairs our Sustainability Committee, and membership includes two Non-Executive Directors, Fran Philip and Sarah Highfield, our Group CEO, David Paja, our three Divisional CEO's, Adrian Elliott (Apparel CEO), Frederic Verague (Footwear CEO) and Soundar Rajan (Performance Materials CEO) and Group Sustainability Director, Christopher Dearing who also serves as Committee Secretary.

The Audit and Risk Committee monitors and reviews the effectiveness of climate-related risk management systems and relevant internal controls, and approves reporting statements, such as TCFD disclosures. Through 2024, we introduced Group Internal Audit assessment of climate-related data as part of the wider group audit schedule. 2024 was the first year we have delivered public limited assurance of our reported Scope 1 and 2 emissions data in accordance with ISAE 3000 (revised) and ISAE 3410 standards. Details of our external auditor's assurance statement can be found on page 199 of this report.

The GET provides updates on the progress of agreed actions directly to the Board, the Sustainability Committee, and the Executive Group Risk Management Committee (GRMC) as deemed appropriate. The GRMC is responsible for formulating risk management strategies and monitoring and refining risk management processes and metrics for all risks, including climate-related risks specifically and convenes on a quarterly basis. The Sustainability Director is responsible for the delivery of climate-related risk assessment work which is reported into the GRMC quarterly as a short update with a full report to the GET annually.

Our TCFD working group consists of Senior Management from each division and includes representation from corporate functions such as finance, procurement, human resources and risk. The working group works closely with the Group Sustainability Director and is responsible for contributing to the development of models for assessing the physical risks and impacts of climate change and determining the impacts of transitional risks and opportunities on our business.

Monitoring of progress on agreed actions is reported to the GET on a bi-monthly basis. The collection of climate-related data for the timely reporting of progress is largely achieved through an internal cloud-based reporting system that collects data from every operating unit on a monthly basis. This is reported automatically to multiple internal stakeholders including the GET via dashboards.



Taskforce on Climate-Related Financial Disclosures cont.

RISK MANAGEMENT

Coats is dedicated to managing the climate-related risks and opportunities impacting our business, customers, suppliers, and our stakeholders.
We have implemented a systematic approach to evaluate the potential effects of climate change on our operations, markets, and products, as well as to identify opportunities to enhance our resilience to climate-related changes, and in doing so our competitive positioning.

We view climate change as a long-term strategic issue, and therefore our approach to climate risks does not change on a short-term basis, but instead necessitates ongoing monitoring and adaptation in response to changes in technology and environment. Our risk assessment approach aligns with that outlined in both our 2022 and 2023 TCFD reports.

All physical and transition risk categories, as well as current regulatory requirements, are taken into account by Coats when we evaluate the climate-related risks and opportunities that may affect us. We look at how these risks may impact our own operations, or the Group's upstream and downstream activities, and whether they may first arise in the short- (< 10 years), medium- (~25 years) or long-term (~50 years) time frames. These time frames are selected because they correspond roughly to the average remaining life of production assets (short-term), the typical life span of technologies (medium-term) and the possible plant renewal cycle (long-term), as well as aligning to the key milestones for climate science projections. In 2024, while short and medium-term time frames remain the same for physical and transition risks and opportunities, our physical risk categories adopt a new long-term time frame of ~75 years to coincide with the outputs from the Munich Re Location Risk Intelligence Tool (see Strategy section in page 185).

We leverage the established Group Risk Tolerance Structure to evaluate climate-related risks and opportunities in comparison with other Group risks, ensuring their integration into the Group's risk management framework. Our approach to assessing climate-related risks is scenario-based, which develops impact models for those risks identified. Prioritisation of climate risks is based on the overall impact across our 3x3 matrix of scenarios and time horizons.

We quantify risk in line with the following financial materiality:

Impact	Low	Medium	High
Financial	Impact or opportunity of <$15m	Impact or opportunity of $15-30m	Impact or opportunity of >$30m

The Board reviewed the climate-related risk trend in the light of the external environment and the actions being taken by the Company, including delivery on targets during the year, and determined that the risk trend should continue to be noted as 'stable'.

Further details of the Group's risk assessment process are on page 50 of this Annual Report Principal Risks & Uncertainties

Climate risks and opportunities are typically long-term, and the change is gradual. We continue to periodically review our scenario database to assess for continued alignment with the latest scientific consensus and completed a further such review during 2024.

We consider short-term mitigating actions for immediate action, and these address both risks that have a financial impact and those that do not. There are other potential mitigating actions that can be actioned at a suitable time in the future depending on how climate change develops compared to our scenarios. The immediate agreed mitigating actions are reported to the GRMC on a quarterly basis and also form part of our company strategy and are built into operational plans for the year. Our primary mitigating actions relate to continued focus on energy intensity reduction, transition to renewable sources of electricity, and materials transition to preferred raw materials, all of which are reported to the GET on a bi-monthly basis and largely form the basis of our SBTi Net-Zero journey.

Climate change has been identified as a Principal Risk within the Company's risk management system. As a result, it is a permanent item for review and assessment at quarterly GRMC meetings. In addition, climate risk is reviewed by the Board at least once per year. The Board further reviews sustainability KPIs at every Board meeting, including KPIs relating to climate issues where appropriate. Through these mechanisms, climate-related risks continue to be fully integrated into the Company's risk management system.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY

At Coats, our commitment to sustainability is not just a goal but a guiding principle that permeates all aspects of our operations. We recognise the critical nature of climate-related risks and opportunities and understand the importance of incorporating these into our business strategy to ensure high operational resilience and long-term business vitality. Climate change mitigation and adaptation are integral to the development of our wider business strategy.

The Taskforce on Climate-related Financial Disclosures (TCFD) framework assists us in the identification, assessment, and management of climate-related risks and opportunities that may influence our future financial performance.

In conducting our evaluation of climate-related risks and opportunities, we have considered all three Divisions and all geographies where Coats operate.

As in previous TCFD reports, scenario analysis has been used to improve our understanding of the behaviour of certain risks to different climate outcomes, which helps assess the resilience of our business to climate change. Both physical risks and transition risks and opportunities have been evaluated using three climate-related scenarios, based on the Shared Socioeconomic Pathways (SSPs) endorsed by the Intergovernmental Panel on Climate Change (IPCC) and used in the development of the Sixth Assessment Report on climate change.

In previous years, our assessment of physical risks was built on internally developed climate models utilising a range of external data sources, However, in 2024, we changed our approach by outsourcing the modelling of physical risks through use of Munich Re Location Risk Intelligence tool. This tool utilises one of the world's most comprehensive databases for natural disasters and hazard modelling under different climate scenarios and provides detailed evaluations of different climate-related risks across a range of different climate scenarios and timelines for defined geographic locations. To obtain site-specific risk data, we utilised site-specific GPS coordinates.

Potential climate-related impacts on our business are assessed by our TCFD working group, in conjunction with a group of subject matter experts, with consideration given to the different climate scenarios and timelines. A bespoke financial impact model has been developed for each identified risk and opportunity and these models are reviewed, and are updated, where appropriate, on an annual basis.

The three Socioeconomic Pathway (SSP) scenarios utilised are as outlined in the table below, for the timelines used in our transition risk assessment.

The climate-related impacts on our operations and supply chain are modelled for each of these scenarios, with evaluation conducted on the risks and opportunities that might occur, focussing across short-, medium- and long-term time horizons.

			Global Temperature increase over pre-industrial levels		
CO_2e emissions level	SSP used	Scenario name	2030	2045	2070
Low	SSP1	Sustainability 'Taking the Green Road'	1.47°C	1.56°C	1.49°C
Medium	SSP3	Regional Rivalry 'A Rocky Road'	1.52°C	2.03°C	2.91°C
High	SSP5	Fossil-fueled Development 'Taking the High Road'	1.60°C	2.25°C	3.50°C

For transitional risk (TR), these correspond to 2030, 2045 and 2070 respectively, however for physical risk (PR) the time horizons have been slightly extended to 2030, 2050 and 2100. The rationale for selection of these time horizons is as follows:

Short-term 2030 (TR and PR): this aligns with our near-term transitional strategy.

Medium-term 2045(TR) or 2050(PR): this is broadly aligned to our Net-Zero commitment and is at the longer end of our machinery asset lifespan. We also see clear divergence of physical climate impacts across the different scenarios at that point.

Long-term 2070(TR) or 2100(PR): is beyond the lifespan of our current asset base and allows us to model the long-term impacts. As a company with a heritage of over 200 years, it is important for us to look far ahead to understand issues that may impact the long-term viability of the Company, even beyond the life of our current asset base.

Our identified transitional risks and opportunities are primarily associated with our low carbon scenario and have a higher potential impact in the short term. Conversely, our identified physical risks are considerably more significant in high carbon scenarios, with their potential impact increasing over time. The materiality of risks and opportunities has been determined by considering the financial impact, the likelihood and the relationship of the impact to the life of any impacted assets.

On an annual basis, our internal finance team conduct an assessment of the scenarios, assumptions and accompanying financial models, with particular focus on changes made from the previous year.

In our 2024 assessment of transition risks, we added a new risk which relates to our materials transition strategy, with our target of transitioning to 100% non-virgin oil-based materials by 2030. Other transition risk and opportunity models have been reviewed and updated where appropriate.

Further details are outlined on the following pages:

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix

* SSP1 data not available under Munich Re flood risk models

**SSP2 data adopted in substitute of SSP3, as SSP3 data not available under Munich Re drought risk models.

Financial Impact			
Opportunities	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)
Risks	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)

Summary of our most material risks and opportunities

TCFD category	Potential financial impact		Potential materiality: <10 years (short-term)	~25 years (medium-term)	~50 years (long-term)	Mitigation and strategic response	Related Metrics and Targets
Transition: Current and emerging regulation	**Risk 1:** Introduction of carbon taxes leading to increased energy prices	SSP1				The strategy that the Company has in place to implement its Net-Zero transition plan means we continually focus on reducing the embodied carbon in our supply chain. Where possible the cost of increased carbon taxes will be passed on to consumers.	**Metric** Scope 1 & 2 GHG emissions (Tonnes) **Target** 46.2% reduction in Scope 1 & 2 GHG emissions by 2030 from our 2019 baseline
		SSP3					
		SSP5					
Transition: Market and technology	**Opportunity 1:** Growth in light-weighting products in telecom and energy markets, enabling increase in market share.	SSP1		-	-	Investment in technology and product development is already covered by our Research and Development plans by 2030.	
		SSP3		-	-		
		SSP5		-	-		
Transition: Market, technology and reputation	**Risk 2:** Declining sales due to shifting customer sentiment towards more environmentally friendly product options.	SSP1				The strategy that the Company has in place to implement its Net-Zero transition plan means we continually focus on reducing the embodied carbon in our supply chain. We work closely with brands to ensure new products are designed to meet changing customer requirements.	**Metric** Scope 1, 2 & 3 GHG emissions (Tonnes) % non-virgin oil-based materials **Target** – 46.2% reduction in Scope 1 & 2 GHG emissions by 2030 from our 2019 baseline. – 33% reduction in Scope 3 emissions by 2030 from 2019 baseline. – 100% transition to non-virgin oil-based materials by 2030
		SSP3					
		SSP5					

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix cont.

* SSP1 data not available under Munich Re flood risk models

**SSP2 data adopted in substitute of SSP3, as SSP3 data not available under Munich Re drought risk models.

Financial Impact

Opportunities	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)
Risks	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)

Summary of our most material risks and opportunities

TCFD category	Potential financial impact	Potential materiality	<10 years (short-term)	~25 years (medium-term)	~50 years (long-term)	Mitigation and strategic response	Related Metrics and Targets
Transition: Market	**Opportunity 2:** Increased market share with apparel and footwear brands for thread and footwear structural components.	SSP1	High	High	High	Delivery of targets on operational sustainability metrics viewed favourably by brands. Particular focus on emissions reduction and material transition and in both cases we have strategies in place to meet expectations.	**Metric** Scope 1, 2 & 3 GHG emissions (Tonnes) **Target** - 46.2% reduction in Scope 1 & 2 GHG emissions by 2030 from our 2019 baseline - 33% reduction in Scope 3 emissions by 2030 from 2019 baseline - 100% transition to non-virgin oil-based materials by 2030
		SSP3	Medium	High	High		
		SSP5	Medium	High	High		
Transition: Regulation and technology	**Risk 3:** Inability to source sufficient renewable energy to meet emissions reduction targets.	SSP1	Low	Low	Low	We consider this risk to be largely remediated by our current plans for transitioning to renewable electricity including reducing reliance on the grid through solar panels as well as the use of renewable energy contracts where available.	**Metric** % renewable electricity **Target** 100% renewable electricity by 2030
		SSP3	Low	Low	Low		
		SSP5	Low	Low	Low		
Transition: Regulation and technology	**Opportunity 3:** Cost benefits from transitioning from fossil fuel generated to renewable electricity.	SSP1	Low	Low	Low	Our commitment to transition to 100% renewable electricity by 2030 will deliver cost saving opportunities as well as delivering reductions in carbon emissions. At the end of 2024, we have transitioned to 74% of renewable certified electricity across the Group.	**Metric** % renewable electricity **Target** 100% renewable electricity by 2030
		SSP3	Low	Low	Low		
		SSP5	Low	Low	Low		
Transition: Policy and technology	**Risk 4:** Inability to source sufficient recycled raw material at commercial price points impacting costs and ability to fully transition to a low carbon product range and hence achieve the SBTi targets.	SSP1	-	Low	Low	We continue to increase the number of approved suppliers and worked with key suppliers to further the development of recycled polyester and other recycling plans for other raw materials. Our newly inaugurated Madurai Sustainability hub, working with our Shenzhen hub will accelerate materials transition with exclusive focus on building a pipeline of new sustainable materials spanning across recycled, renewable and bio-based. Their work will involve close collaboration with key upstream supply partners as well as the key brands that we supply.	**Metric** % raw materials from non-virgin oil-based sources **Target** 100% of raw materials from non-virgin oil-based sources by 2030
		SSP3	-	Low	Low		
		SSP5	-	Low	Low		
		Establishment of short-term financial materiality is work-in-progress and still to be determined. In medium- and long-term the financial materiality is expected to be low.					

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix cont.

* SSP1 data not available under Munich Re flood risk models

**SSP2 data adopted in substitute of SSP3, as SSP3 data not available under Munich Re drought risk models.

Financial Impact			
Opportunities	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)
Risks	Low (<$15m)	Medium ($15m-$30m)	High (>$30m)

Summary of our most material risks and opportunities		Potential materiality					
TCFD category	Potential financial impact		<10 years (short-term)	~25 years (medium-term)	~50 years (long-term)	Mitigation and strategic response	**Related Metrics and Targets**
Physical: Acute	**Risk 5:** Flood risk causing damage to assets.	SSP1*	-	-	-	Our robust business continuity plans which are regularly updated and refined will assist in ensuring that we have robust contingency plans in place. Sites in area of potential current risk have been assessed through local intelligence; all sites are mitigated against flooding through a combination of determination of proximity to river courses, flood defence systems, and raised height of infrastructure.	
		SSP2**					
		SSP5					
Physical: Chronic	**Risk 6:** Drought stress which could lead to disruption of water supply in some units.	SSP1*	-	-	-	Plans are in place to gradually invest in further water recycling capability as one of our key sustainability goals and this will focus first on the high water stress units, so the remediation of this issue is now in progress. Contingency plans to relocate production output if required.	**Metric** % Water Recycling **Target** 33% increase in water recycling rate by 2026 from 2022 baseline
		SSP2**					
		SSP5					
Physical: Chronic	**Risk 7:** Extreme heat stress leading to possible need for plant relocation to those with favourable temperature regulation.	SSP1				Sites currently operating in areas of extreme or very high heat risk are mitigated through adequate ventilation and cooling systems, ensuring no loss of business of impact to operations. Investment in continually improving such systems mitigates against further rises in external temperatures.	
		SSP3					
		SSP5					
Physical: Acute	**Risk 8:** Precipitation Stress risk causing damage to assets.	SSP1				The use of Munich Re climate data modelling has identified precipitation stress as a current and future risk, hence the addition in the 2024 TCFD report. Several sites currently are located in areas identified as extreme and very high risk; however, local intelligence outlines in most instances that risk is mitigated through adequate drainage and continuous preventative maintenance on roofing. Future risk can be mitigated through investment in increased drainage and flood defence systems.	
		SSP3					
		SSP5					

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

TRANSITIONAL RISKS

Risk 1) Emerging regulation: introduction of carbon taxes leading to increased energy prices.

An increase in the scope and level of carbon pricing through new emerging regulations could impact both our input materials and conversion costs as the cost of carbon is factored into energy, water, waste, transportation and raw materials. Our low-carbon scenario assumes that carbon taxes will be one of the levers used to achieve rapid decarbonisation of energy and industrial products and processes.

Our scenario assessment models a high initial (short term) tax and a drop in tax in subsequent time horizons. Under our low-carbon scenario SSP1, these could be introduced in the coming few years, increasing rapidly through to 2030 after which point we expect them to stabilise. Our high carbon scenarios, SSPs 3 and 5, does not envisage there being any carbon taxes.

In 2024, we evaluated progress made at COP29 on intergovernmental advancement towards agreement of a global price for carbon tax, and whilst progress has been made we have not yet reached a point where a global carbon price has been agreed. The Carbon Border Adjustment Mechanism (CBAM) in the EU, which is aimed at addressing carbon leakage, will likely result in introduction of a UK CBAM coming into play in Jan 2027, and although initially only for carbon intensive goods it will result in an EU and then UK Emissions Trading Scheme and defined carbon trading costs. We continue to monitor developments in this area enabling us to refine impact modelling for Coats.

In line with our previous years assessment, we expect the range of carbon taxes could sit between \$90 and \$160 per tonne of CO_2e under SSP1, and for evaluation of this risk we anticipate that this would be applicable to our Scope 1 and 2 emissions. This range is derived from work conducted by Wood MacKenzie on the level of carbon pricing necessary to ensure global warming doesn't exceed a level of 1.5°C from pre-industrial levels and work conducted by the International Energy Agency for their Net-Zero Scenario.

The risk impact associated with the implementation of a carbon tax on our upstream Scope 3 emissions would be significant. However, we consider that this increased cost will be spread across the value chain and will not be fully passed onto Coats.

For determination of our 2024 financial impact related to carbon tax on Scope 1 and 2 emissions, we have adjusted our 2019 baseline emissions to align with our re-baselined Net-Zero target submission which has recently been approved by SBTi. This adjustment has made a negligible change to the US\$ impact that will come from future implementation of carbon tax versus that reported in 2023.

Without remediation, and hence based on current Scope 1 and 2 emissions levels persisting, the potential for carbon taxes under scenario SSP1 would see an additional annual cost of between \$24 million and \$42 million by 2030.

Mitigation:

Coats remains fully committed to achieving our near-term 2030 Science Based Targets for emissions reductions which are a pathway to us achieving our ultimate goal of Net-Zero by 2050. As part of these targets, Coats commits to reduce absolute Scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year. We also commit to increase annual sourcing of renewable electricity from 5% in 2019 to 100% by 2030. Coats further commits to reducing absolute Scope 3 emissions by 33% within the same time frame.

Additionally, under our SBTi approved Net-Zero target, we commit to reduce absolute Scope 1 and 2 GHG emissions by 90% by 2050 from a 2019 base year and commit to reduce absolute Scope 3 emissions by 90% within the same time frame.

These targets demonstrate Coats' ambition to reduce its carbon footprint and exposure to carbon pricing, and to achieve a better competitive position in the low carbon economy than its peers.

Post-mitigation, where mitigation is taken as delivery of our Science Based Targets for reduction of Scope 1 and 2 emissions, this annual cost increase would range from \$13 million to \$23 million based on our above assumptions of carbon tax rates.

We will meet our Scopes 1 and 2 emissions reduction targets through two programmes. By using our Smart energy metering and monitoring systems, we can analyse energy use at the machine level in key plants and apply these insights to other units for improved energy efficiency. Through our electricity transition to renewables strategy, we will also be switching our Scope 2 energy progressively to renewable sources. This will be done through a hierarchy of approaches according to the opportunities provided by the regulatory environment in each country where we operate. We will firstly support the creation of new renewable assets through direct engagement with on-site or off-site projects in partnership with energy companies. Where this approach is not possible we will support existing renewable assets by purchasing their energy. If neither of these approaches are possible we will support the renewable industry through the energy attribute markets. We recognise that regulatory environments around energy supply are constantly evolving and our approach is flexible to allow for us to optimise our approach as changes occur. We are well on track towards our commitment of 100% renewable electricity 2030 target, with 74% Group electricity registered as green certified in 2024, up from 29% in 2022.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risk 2) Market, Technology & Reputation: Declining sales due to shifting customer sentiment towards more environmentally friendly product options

Consumers are increasingly aware of their carbon footprint, leading to a growing demand for brands with low-carbon or sustainable products. Meeting this demand requires the increased use of recycled, renewable or bio-based materials with lower emission manufacturing processes. An analysis in 2024 of the main apparel and footwear brands and retailers to which we supply thread products showed that 95% of our sales to this group was to brands and retailers that have either SBTi approved emissions reduction targets or separately disclosed emissions reduction targets. This emphasises the importance that our key customers place on emissions reduction programmes and underlines the need for them to increasingly work with suppliers who have committed to and are delivering targeted emissions reductions.

In recent years, our teams have diligently worked to mitigate this risk by adhering to supplier targets and standards set by our key brands. This includes reducing emissions and specifying reduced carbon raw materials used in the production of finished thread and footwear structural components.

Our materials transition strategy focuses on reducing the use of virgin oil-based raw materials, thereby lowering the carbon embedded in our products. This effort is complemented by our energy transition commitments, where we are progressing towards using renewable sources of electricity. A sustained focus on reducing energy and water intensity projects is an integral aspect of our utilities strategy, aimed at further decreasing the carbon footprint of our products.

Mitigation:

Our 2026 Scope 1 and 2 emissions reduction target is to deliver a 22% reduction from our 2022 baseline, keeping us ahead of our committed and approved Science Based Target reduction trajectory, and in 2024 we have out-performed against this 2026 target. We consistently engage with customers who have set climate-related targets, ensuring that our plans and targets are in alignment with their requirements.

Following the 2023 inauguration of our Sustainability Hub in Madurai, India, we continue to accelerate our transition to non-virgin oil-based materials, ensuring delivery of our 2026 materials transition target of 60% preferred materials which will lead to 100% transition by 2030. In 2024 we increased our % of preferred materials to 46% from 35% in 2023. Both our thread and structural footwear component innovation teams are staffed with post graduate and PhD expertise in textile engineering, and work in close collaboration with each other as well as with external innovation partners and customers on development of highly innovative low carbon materials and processes.
Their product development efforts are primarily concentrated on advancing new recycled, renewable, and bio-based materials that meet stringent end-use technical requirements while significantly reducing environmental impact.

Risk 3) Regulation and Technology: Inability to source sufficient renewable energy to meet emissions reduction targets.

A number of countries within our operational scope continue to face regulatory challenges in the energy market, which presently hinder or prevent the transition to renewable electricity. To address this risk, we evaluate the alternative cost of procuring Energy Attribute Certificates (EACs) to meet our requirements when direct access to certified renewable energy is not feasible. The financial implications of sourcing EACs are expected to persist; however, we anticipate that regulatory obstacles necessitating such measures will significantly decrease as more nations develop functional renewable energy markets.

Mitigation:

Our mitigation strategy for this risk is underpinned by our current plans to transition to renewable energy, with a commitment to use 100% renewable electricity by 2030. We acknowledge that in some material countries (e.g. Turkey, Vietnam), the regulatory framework is not yet supportive of off-site supply of renewable electricity.

Our initiative to install on-site rooftop solar panels via power purchase agreements with energy suppliers will continue, but it will only represent a small fraction of our overall energy supply. We will maintain a strong emphasis on enhancing energy efficiency across our facilities by utilising actionable insights provided by our expanding smart energy metering programme, which has been implemented at several key manufacturing sites. Key initiatives in this area include efficiency programmes for compressed air and steam generation, as well as upgrades to machine motors through the application of inverter technology.

When regulatory constraints prevent transitioning to renewable electricity on time, we will use EACs to meet emissions targets. We have assessed the costs based on current EAC prices at key facilities and consider the financial risk negligible.

We acknowledge that EAC prices, currently ranging from \$0.32/MWh to \$3.5/MWh with an average of \$1.25, may fluctuate in the future as demand changes. We will monitor this risk regularly to address any significant changes.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risk 4) Policy & Technology: Inability to source sufficient recycled raw material at commercial price points impacting costs and ability to fully transition to a low-carbon product range and hence achieve the SBTi targets.

At present, our recycled high tenacity polyester is predominantly sourced from PET bottle feedstocks and the emerging 'Extended Producer Responsibility' regulations in the EU and other regions is expected to impose greater requirements on the soft drinks industry, encouraging them to recycle their own waste and increase the emphasis for bottle-to-bottle recycling. This may reduce the longer term availability of PET bottles as recycled feedstock for our raw materials and could impact future costs of transition through to 2030.

Delivering our materials transition target of 100% non-virgin oil-based materials in 2030 cannot rely on recycled PET bottles alone and will require supplementary alternatives to our current virgin based feedstocks.

Comprehensive modelling and analysis by our sourcing teams has concluded a cost premium associated with the lower carbon non-virgin material driven primarily by lower supply and higher demand dynamics and lack of scale in newly emerging low-carbon technologies.

The anticipated cost increases associated with procurement of non-virgin oil-based raw material substitutes is based on currently available technologies and pre-mitigations and may have a high financial material impact in 2030. Our path to 100% transition by 2030 will depend on availability of circular material supply at economically acceptable levels whilst maintaining the high-quality standards that customers require.

Mitigation:

In the past four years we have continued to increase the number of approved suppliers of recycled polyester and other preferred materials and we envisage no supply constraint impacting delivery of our 2026 target of 60% materials transition to non-virgin oil-based materials.

Our innovation and sourcing teams have built collaborative relationships with new materials start-up companies who have developed and commenced scale of new technology in circular textile to textile recycling. The inauguration of our new Sustainability Hub in Madurai has seen acceleration of new materials innovation, supporting a move from recycled PET bottle feedstock to increasing use of feedstocks derived from post-industrial and pre- and post-consumer textile waste streams. In 2024, efforts have resulted in prototype textile to textile thread production which is currently undergoing comprehensive internal and customer-based technical evaluation.

We expect that new EU Green Deal regulations will drive increased availability of new non-virgin oil-based materials and we are seeing many of the brands that we serve committing to volume offtake agreements with new materials start-up companies, enabling the acceleration of scaled production capacity which is expected to drive price down in future. We expect the industry to continue delivering commercial solutions in this space. We consider that price will be a potential mitigation lever, as well as an ability to offset cost pressures through other efficiency initiatives.

PHYSICAL RISKS

We are committed to keeping our risk models up to date. In 2024 we switched to using the Munich Re Location Risk Intelligence Tool. Although in some cases the classification of physical risk has changed slightly, the key material risks remain consistent with the in-house tool used in the previous analysis. This independent tool has been used to explore the current and potential future physical climate-related risks to 43 of our most material sites. The tool provides a natural hazard assessment on the basis of data from past events and forecasts future-related assessments on the basis of climate change models. The physical climate-related natural hazards covered by the tool include floods, storms, sea level rise, drought, wildfires and precipitation stress.

Risk 5) Acute: Flood damage risk.

Two out of our 43 sites (Dhaka, Bangladesh and Samutsakorn, Thailand) are at very high river flood risk. A further four sites are at high river flood risk. The impact of flooding would be a reduction in revenue and increased expenditure due to repairs. Additionally, we analysed storm surge risk across our sites and noted that although over 90% of the total asset value of our portfolio were not at-risk our analysis identified three sites (one in Thailand and two in China) at risk from storm surges. While sites located in areas currently identified as being at-risk are adequately protected from flooding, due distances from water courses, raised infrastructure, and municipal flood defences, it should be noted that this year, our site at Sevier, USA, suffered some flood damage as a consequence of hurricane Helene; the first hurricane in the region in 110 years. A further site which experienced flooding in 2024, Ambasamudram, was identified by the tool as being at high precipitation risk, and as a result we now identify this as a standalone risk (Acute Precipitation Stress) to Coats.

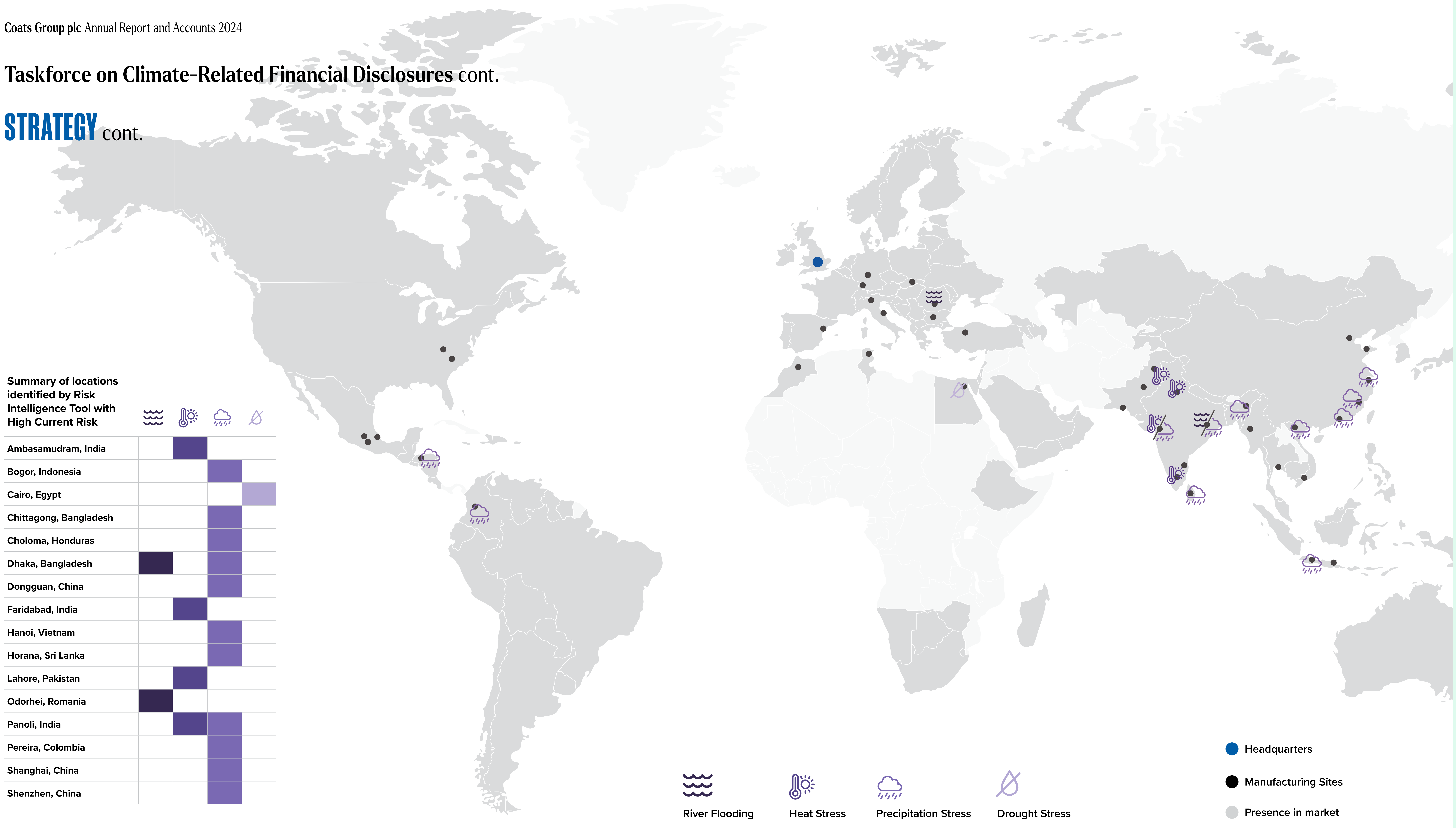
The Location Risk Tool models an increase in river flooding risk, compared to current risk, under carbon scenario SSP5. Under this scenario, three further sites are projected to move from medium to high river flood risk. However, based on the sites identified by the Munich Re Location Risk Intelligence tool, the financial impact from medium to long term flood risk has now decreased to low.

Mitigation:

Each business unit has a business continuity plan and our property acquisition strategy looks to avoid areas that could be susceptible to an increased risk of flooding, while maintaining a spread of regional and global supply chains further reduces the impact of local disruption from any one site being flooded. In 2024, two sites, the above-mentioned Sevier, and Ambasamudram, experienced significant flooding which resulted in some loss of productivity and repairs to the sites. Nonetheless, our mitigating activities, have limited the financial impact and with improved drainage systems and reinforced walls constructed, we believe we are well placed to deal with any future increase in probability of flooding. Hence, we see ourselves as fully able to manage this risk with negligible impact.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.



Summary of locations identified by Risk Intelligence Tool with High Current Risk	River Flooding	Heat Stress	Precipitation Stress	Drought Stress
Ambasamudram, India		■		
Bogor, Indonesia			■	
Cairo, Egypt				■
Chittagong, Bangladesh			■	
Choloma, Honduras			■	
Dhaka, Bangladesh	■		■	
Dongguan, China			■	
Faridabad, India		■		
Hanoi, Vietnam			■	
Horana, Sri Lanka			■	
Lahore, Pakistan		■		
Odorhei, Romania	■			
Panoli, India		■	■	
Pereira, Colombia			■	
Shanghai, China			■	
Shenzhen, China			■	

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risk 6) Chronic: Drought stress which could lead to disruption of water supply in some units.

The independent tool has identified one location (10th of Ramadan City, Egypt) where there is very high risk of drought stress. An additional three sites are at high-medium risk of drought.

Under scenario SSP5 the number of sites at very high or extreme drought stress risk are forecast to increase. Our highest carbon scenario (SSP5) sees drought stress in our 10th of Ramadan City site, along with sites in Morocco, Tunisia and Mexico increasing to 'extreme' by 2050. Under these scenarios increased capex should be allocated to mitigation measures such as increased levels of water recycling to reduce dependency on new water extraction.

Mitigation:

The risk of water shortages leading to plant stoppages is difficult to quantify, so the approach taken here is to assess the capex requirement to upgrade the effluent treatment plants to recycle enough water to mitigate this risk. In 2024 we commenced projects to introduce new water recycling projects in two of our major manufacturing facilities, and in line with the targets under our Water Sustainability pillar, we will continue to prioritise replacement and upgrading of units which operate in areas with higher water stress levels as identified in our physical risk assessment. Using the World Resources Institute Acqueduct Tool classification for water stress, 49% of the water in our facilities in medium-high, high and extremely-high water stress locations was recycled in 2024, compared with 27% across all manufacturing sites. We target an increase in our water recycling rate by 33% in the period 2023 to 2026.

Under the Munich Re Forecast, the future risks associated carbon scenario SSP2 have decreased to the low financial impact category, as the investment required to offset water reliance with recycling stations is associated with sites with lesser water consumption volume (requiring reduced treatment capacities and associated running costs).

Risk 7) Chronic: Extreme heat stress leading to possible need for plant relocation to those with favourable temperature regulation.

Global temperature is expected to rise in all scenarios (SSP1, SSP3, SSP5) that the Tool models for heat stress risk. 55% of sites are at high, very high or extreme risk of heat stress. Under all scenarios the number of sites at extreme heat stress risk increases over time. Two sites, in Pakistan and India, currently suffer from very extreme maximum annual temperatures (in excess of 44°C), and under SSP3 these maximum temperatures are projected to increase to over 47.5°C by 2100. Nonetheless, it should be noted that currently, despite the high temperature, business continues as normal at these sites due to mitigating actions.

Increasing temperatures may result in higher costs associated with operating air-conditioning systems to maintain appropriate indoor temperatures at our facilities. In severe cases, extreme heat might necessitate the cessation of manufacturing activities in these areas due to unworkable conditions. However, if these sites become uninhabitable due to extreme heat, it is anticipated that our local customer base will diminish quickly as assets are relocated to regions with more favourable climates.

Mitigation:

In the medium- and long-term, heat stress impacts are set to increase in all carbon scenarios modelled. Contingency planning is in place for the realignment of plant capacities in the event of extreme weather event, as are appropriate insurance policies. As noted, air conditioning and ventilation systems currently enable normal business operation even at sites with extreme heat stress; further investment on cooling and ventilation is reflected in our financial impact models to mitigate against rising temperatures in future scenarios.

Risk 8) Acute: Precipitation Stress

Climate change and rising global temperatures can lead to an intensification of high-precipitation ev ents and an alteration of the frequency of such events, which can cause damage to buildings. Our data suggests 10 out of 43 sites are at extreme precipitation stress risk, with a further six sites at very high risk. The tool has highlighted both the Sevier and Ambasamudram sites as being 'very high risk' in an RCP 4.5°C scenario. Additionally the Intelligence Tool has noted that our site in Pereira (Colombia) is currently at high risk for 'maximum 5-day precipitation', receiving 459.9mm currently and increasing to 519.6mm under RCP 4.5.

Increased precipitation would lead to increased capex on mitigation measures to prevent damage to our sites.

Mitigation:

Current and future actions to mitigate the impact the damage caused by high levels of precipitation include improving drainage systems at sites, the installation of pumps to remove excess water quickly and efficiently, and reinforcing flood barriers and walls around the sites to stop water ingress. Furthermore, our continuously reviewed site-level preventative and corrective maintenance strategies are designed to quickly address high-precipitation events and limit potential damage from persistent precipitation.

RISKS SUMMARY

Physical risk mitigation from extreme weather is addressed at site level, in conjunction with up-to-date data from the Munich Re Location Risk Intelligence Tool.

In the short term, risks are predominantly transitional, related to the Company's low-carbon (SSP1) scenario. The strategy that the Company has implemented to achieve Science Based Targets for emissions reduction, through transition to renewable electricity, and conversion to non-virgin oil-based materials serves as a robust response to these risks. The medium- to long-term risks are primarily physical, more closely associated with higher carbon scenarios (SSPs 3 and 5).

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

OPPORTUNITIES

Opportunity 1) Growth in light-weighting products in transport, energy and telecom infrastructure markets, enabling significant increase in market share.

At Coats we aim to reduce the carbon footprint of our products through use of lower weight (and hence lower carbon) products targeted at markets we have identified as high growth.

Following a review of our Performance Materials transportation light-weighting strategy at the end of 2024, we have updated our model associated with light-weighting of automotive components. The slower adoption rates and preferred use of aluminium due to lower cost has reduced the strategic relevance of automotive light-weighting end-use at Coats. On this basis, our light-weighting focus will continue only on the telecom and energy segments.

Coats produces composite tapes, branded as Gotex Xtru™ , which are used to facilitate light-weighting in the energy end-use segment. These tapes are designed to strengthen and improve the longevity of flexible pipes used in the oil and gas industry, accelerating the conversion from legacy steel pipes with known corrosion problems to lighter-weight non-corrosive composite pipelines. The tapes can be custom made with a variety of high-performance fibres like carbon or aramids, coatings and high-performance plastics to suit the specific needs of the end-use application.

For telecoms infrastructure, we offer a broad portfolio of products that enable the design of thinner and lighter fibre-optic cables which lower deployments costs and increases resilience to environmental factors. Coats has recently developed and launched StremX, an innovative product that has garnered considerable interest from fibre optic cable manufacturers. Following extensive internal and customer testing in 2023 and 2024; we have delivered customer approvals with StremX specified in their cable design with programme orders in place through 2024 and 2025.

This substitution not only maintains performance but also results in substantial cost savings.

The potential additional operating profit in 2030 from the growth in this product segment ranges from around $13 million to $19 million. This comes from growth in sales of our light-weighting products, mainly for the telecoms and energy markets.

Beyond 2030 we have lack of visibility and therefore financial impacts beyond this point have not been modelled.

Strategy to realise opportunity:

Coats is exploring this opportunity through several initiatives and continued investment in R&D and new product development through our Gotex (Spain) and Turkey innovation teams which allow us to develop new products in collaboration with customers. In 2023 we invested in our state-of-the-art extrusion line in Gotex to produce composite tapes for the energy markets, and on the back of this we are seeing commitments from customers for future supply contracts which will result in requirements for future additional capacity build from 2025 and beyond with anticipated additional capex requirements of US$6 million up to 2030. We launched StremX in 2023 as a cost-effective alternative strength member for fibre optic cables which has enabled the design of thinner and lighter cables receiving multiple OEM specifications through the course of the year.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Opportunity 2) Increased market share with apparel and footwear brands through our commitment to reduce emissions.

We anticipate increasing our market share with brand customers as we maintain our focus on their environmental commitments and collaborate with our suppliers to ensure they have well-defined transition plans towards achieving Net-Zero by 2050. This expectation is supported by the growing trend of governments, similar to the UK, establishing Net-Zero targets and implementing emissions regulations, alongside a continued shift in consumer preference towards more environmentally-friendly products.

We anticipate that several of our primary brand customers will expand their market share due to their stringent environmental standards required for their upstream suppliers. Analysis conducted in 2024 revealed that 95% of Coats' revenue from leading brands is derived from those committed to Science Based Targets initiative (SBTi) emissions reduction goals or have independently disclosed emissions reduction targets. Our Scope 1 and 2 emissions, as well as the embodied carbon of our products, are included in the Scope 3 emissions of our downstream customers. Hence, reducing our emissions reduces the upstream emissions of our clients.

Transitioning from virgin oil-based raw materials to recycled, renewable, and bio-based materials results in a net reduction in the embedded carbon of the products we supply to our customers. As Coats' raw materials increasingly meet production requirements with low emissions through the use of non-virgin oil-based materials, we anticipate becoming a preferred supplier for brands aiming to reduce the carbon footprint of their supply chain to achieve their Net-Zero targets.

Strategy to realise opportunity:

In the apparel and footwear sectors, we are continuing to deliver consistent market share growth, attributable in part to our robust sustainability initiatives. In 2024 our recycled polyester thread sales grew to US$405 million, up from US$172 million in 2023. Our reputation is enhanced by our commitments to transition to more sustainable thread and footwear structural component raw materials in line with our materials transition targets of transitioning to 60% non-virgin oil-based raw materials by 2026 and 100% by 2030. Additionally, we have committed that all our electricity and 70% of our total energy will be renewable by 2030.

In 2023 we revised our models for this opportunity, including incorporation of the additional market share opportunities that come from our 2022 footwear structural component acquisitions. The potential additional operating profit from this increased market share in 2030 ranges from around $35 million to $53 million.

We have developed strong innovation capability in all three of our Divisions, with teams of postgraduate and PhD scientists, engineers and technicians working across multiple locations on development of new sustainable products. Innovation and sustainability are inextricably linked – and when developing new products, incorporation of sustainable, lower carbon raw materials are front of mind on every development project. Key improvements in this manner have underpinned development of new thread products such as EcoCycle™, EcoVerde™ and EcoRegen™ as well as development of new Rhenoprint™ powders for structural footwear components which contain a ground breaking level of 70% recycled polymers and newly-impregnated composite materials with reduced content of virgin oil-based latex dispersions.

To achieve the growth anticipated from this opportunity, we expect an average annual capex cost to support this growth of between $6 million and $9 million up to 2030.

Opportunity 3) Transition to renewable electricity

In line with our 2030 commitments, we will transition to 100% renewable electricity by the end of this decade. As we transition from fossil fuel-generated to renewable electricity through install of rooftop solar arrays and introduction of long-term PPA contracts for renewables supplies, we have seen reduction in the unit US$ per kWh, and therefore see reduced overall energy cost as a transitional opportunity through to 2030. This transition will reduce our Scope 2 market-based emissions from 167k tonnes in FY2022 to zero in FY2030 at the latest.

Strategy to realise opportunity:

By investing in various renewable energy initiatives we can reduce costs and carbon emissions. We aim to secure long-term lowest cost contracts for renewable energy and use of Renewable Energy Guarantees of Origin (REGO) backed suppliers where available. These measures should help us achieve our target of 100% sourcing of renewable electricity by 2030.

The potential cost reduction in energy procurement to come from this transition in 2030 is between US$5 million and US$6 million.

Taskforce on Climate-Related Financial Disclosures cont.

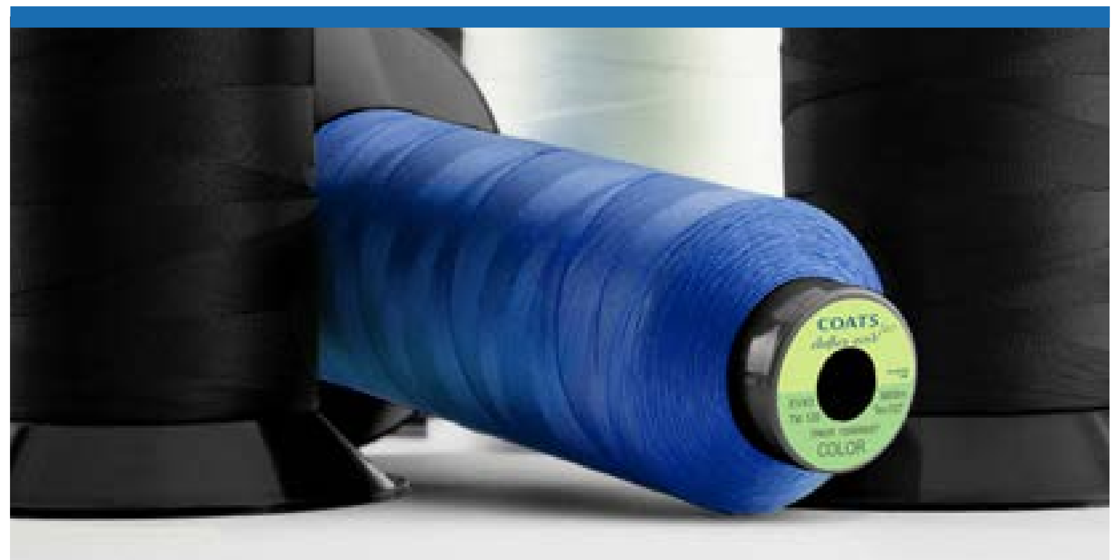
STRATEGY cont.

OTHER OPPORTUNITIES

We have identified two further opportunities, where we see the potential to reduce our emissions further. Our focus for 2025 will be to review the scenario impacts of these opportunities further and will update on our progress against these in our FY 2025 report.

Opportunity 4) Reduced costs from reduced waste and increased recycling, i.e., expansion of the circular economy.

New EU legislation requires all packaging in the EU to be fully recyclable by 2030. These proposals aim to reduce packaging waste by 15% per Member State per capita by 2040, through increased reuse and recycling initiatives. The Commission anticipates that these rules will lead to a reduction of 23 million tonnes in greenhouse gas emissions by 2030, decrease water usage by 1.1 million cubic metres, and lower environmental damage costs by €6.4 billion.



Strategy to realise opportunity:

We continue to focus on means to reduce our environmental impacts associated with packaging materials; both in respect of the packaging that is associated with the raw materials we purchase, and with the packaging materials that accompany our products when delivered to our customers. We have a dedicated team focussed on this imperative, with internal targets set to deliver continued reduction in waste.

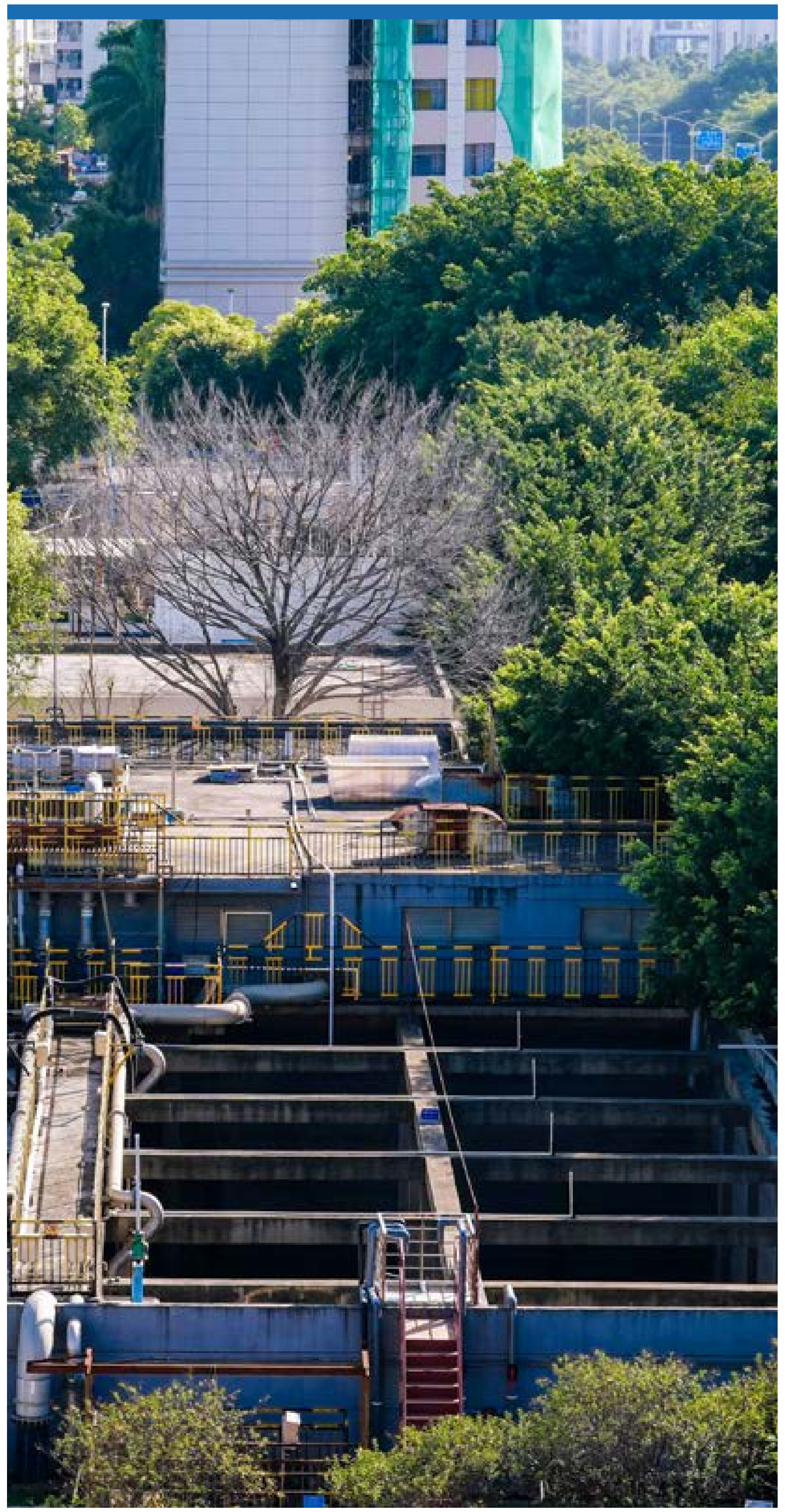
Opportunity 5) Improvements in process technology reducing water and energy intensity.

Dyeing threads is highly energy and water-intensive. Current nylon and polyester dyeing methods require heating the dye liquor to 110-130°C under high pressure, using steam from on-site boilers. This process consumes about 60% of our energy and 90% of our water at Coats. Reducing water usage and energy for heating will lower our carbon footprint and water demands.

Strategy to realise opportunity:

Typically, the textiles industry performs dyeing operations with liquor ratios in the range of 8:1–10:1, whereas Coats dyeing technology typically operates at ranges at least 30% lower than this. Resources are being invested in emerging technologies to achieve thread coloration without using water as a dyeing solvent and heating medium. In 2018, an investment was made in Twine, an Israeli start-up developing digital dyeing technology for yarns with advanced printing technologies.

In the past two years we have rolled out Twine technology to support our colour sampling process in a handful of key markets. We also continue to work with key suppliers on developing future technologies to deliver step changes in the water and energy intensity required for coloration of fibres and filaments. Due to the technology barriers that exist in this area, delivery of yields from this focus are likely to be more long-term in nature.



Taskforce on Climate-Related Financial Disclosures cont.

SUMMARY OF RISKS AND OPPORTUNITIES

Our TCFD working group has analysed and attempted to quantify the financial impacts of climate-related risks and opportunities across the three outlined scenarios and short-, medium-, and long-term time horizons. In aggregate, we have concluded that our risk mitigation strategies, sustainability strategy, and ambitious goals render our business resilient to climate change.

In our 2024 analysis, which incorporates the impacts of our recent acquisitions, our overall assessment suggests that the opportunities are broadly comparable to the risks in the short term and are linked to the same scenarios, thus considered well-balanced. We will continue to explore additional opportunities to provide a comprehensive assessment of the longer-term balance in due course.

Our analysis will be updated as new data becomes available from both internal and external sources and we will continue to monitor our climate exposures and action plans through Coats' risk management framework and governance structure. The identified opportunities will be developed in alignment with the Company's strategy and objectives.

Resilience:

Resilience is evidenced in most of our mitigation approaches described in this section of the report.

We demonstrate resilience to climate-related supplier disruption due to the diversity and geographic distribution of our suppliers, as well as having alternative sources for all key raw materials. Having over 25,000 customers across various regions ensures considerable resilience from a customer perspective. Our single biggest customer impacts less than 10% of our annual revenues.

During the Covid pandemic, it was demonstrated that our global standardisation of ERP systems, master data, and product ranges supports a high level of resilience if any of our manufacturing units are affected by extreme weather events. We can transfer production schedules from one manufacturing facility to another quickly and efficiently, minimising impacts on customer supply.

Based on our analysis, we conclude that our overall climate risk exposure is low. Our existing and planned mitigation strategies suggest that the Group is financially resilient and strategically robust concerning climate change. Any impact will be managed within our regular business activities; therefore, no fundamental changes to business strategy or budgets due to climate change are expected in the foreseeable future. Additionally, there are no effects of climate-related matters reflected in the judgements and estimates applied in our financial statements.

Taskforce on Climate-Related Financial Disclosures cont.

METRICS AND TARGETS

Coats has considered TCFD guidance for relevant metrics and has included those that are appropriate for our business. Assets-at-risk is not considered a relevant metric given our analysis of risks, and Coats has not determined yet whether an internal carbon price strategy would add value to our management of climate-related risk.

Coats monitors and reports on Scopes 1, 2 and key Scope 3 greenhouse gas (GHG) emissions on a regular basis as well as both energy consumption and intensity. We calculate Scopes 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and disclose separately here in our Annual Report on page 40 and, in more detail, in our Sustainability Report **coats.com/sustainability**. Senior management remuneration is linked to key sustainability targets including those relating to emissions reductions; details can be found in the Remuneration Report on page 92.

In 2022 we set new ambitious sustainability targets for delivery across the 2023-2026 time horizon. By 2026, we have targeted to deliver a 22% absolute reduction in Scope 1 and 2 emissions from our 2022 baseline, which will take us well beyond the required trajectory for meeting our approved Science Based Target emissions reductions by 2030. On a monthly basis we measure our energy source mix and the proportion of certified renewable electricity within that. In addition, we measure energy and water intensity metrics as these both contribute to Scope 1 and 2 emissions reductions.

Our principal metric for managing Scope 3 emissions is the overall transition from virgin oil-based raw materials to preferred raw materials. In 2022 we set an interim target to source 60% preferred raw materials, by volume, by 2026 and have a longer-term target to transition fully to preferred raw materials by 2030.

Coats has developed near term Science Based Targets which have been validated and approved by Science Based Targets initiative. These address the full range of value chain emissions and we regard them as the most comprehensive approach to target setting for climate change mitigation. We commit to emissions reductions of Scopes 1, 2 and 3 emissions in line with the 1.5°C Pathway up to 2030 and consider them crucial in managing the risk of not meeting customer expectations.

Components of this target include:

- A commitment to reduce absolute Scope 1 and 2 GHG emissions 46.2% by 2030 from a 2019 base year, and absolute Scope 3 emissions by 33% by 2030.
- Increase sourcing of renewable electricity to 100% by 2030.
- Validation of Net-Zero targets for our Scopes 1, 2 and 3 emissions for 2050. (See below)
- Additionally, we have set near term internal targets to ensure delivery of our SBT targets as follows:
- Increase renewable energy to 70% by 2030.
- No virgin oil-based primary raw materials by 2030.
- Transition to 60% preferred raw materials by 2026. We classify preferred raw materials as those which are non-virgin oil-based.

Coats Net-Zero targets were successfully validated by SBTi in 2024 and are currently in the process of being rebased following the acquisitions of the Texon and Rhenoflex structural footwear components business made in 2022. The targets, to reduce all emission by 90% in 2050 from a 2019 base year, relate to absolute contraction and abatement of emissions from Scopes 1, 2 and 3 and cover all GHGs (excluding NF3 which is not relevant to Coats' value chain) using cross-sector pathways and together with neutralisation of a small element of residual emissions. Post-delivery of our 2030 near-term emissions reduction targets, the key elements that will require continued abatement are the heat energy used in dyeing, the emissions from energy used by our suppliers, and the emissions coming from product and people transportation. In 2024 we have commenced work on our Net-Zero Transition Plan Taskforce and will report on this further in 2025.

Full details on the progress we are making towards these targets can be seen on page 40 of this Annual Report and on the following pages of our Sustainability Report.

Emissions and Science Based Targets – pages 25-28, 108.

Energy source mix and renewable electricity – page 32.

Energy Intensity metric – page 34.

Water Intensity and water recycling metric – pages 44, 45.

Material transition metric – page 38.

In 2024 we sought and completed public limited assurance on the full year performance of our core seven sustainability targets against their 2022 baseline. The public limited assurance process included six business unit audits at geographically interspersed locations, and covering our three operational divisions (Apparel, Performance Materials, and Footwear).

The principal risks associated with the above emissions are those which could restrict delivery of the Company's targets for their reduction in line with the 1.5°C Pathway and Net-Zero by 2050. The most material of these risks are inadequate opportunities to transition to renewable electricity, plus an unreliable supply of recycled raw materials; however, the Company has robust programmes in place to manage these risks.

Independent practitioner's assurance report

To the Directors of Coats Group Plc

Scope

We have been engaged by Coats Group Plc ("Coats" or the "Company") to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Coats' selected sustainability key performance indicators (as listed below in Table 1) (the "Subject Matter") contained in Coats' 2024 Sustainability Report (the "Report") for the years ended 31 December 2024, 31 December 2023 and 31 December 2022.

Table 1: KPIs within the assurance scope

KPI	Units
Scope 1 GHG emissions footprint	thousand tonnes CO_2e
Scope 2 GHG emissions footprint (location-based)	thousand tonnes CO_2e
Scope 2 GHG emissions footprint (market-based)	thousand tonnes CO_2e
% Reduction in Scope 1 & 2 GHG emissions	%
Total primary raw materials purchased by Coats	Tonnes
Total preferred primary raw materials purchased by Coats	Tonnes
% preferred primary raw materials purchased by Coats	%
Total water used	Million cubic meters
Total water recycled	Million cubic meters
% of water recycled	%
Total waste generated	Tonnes
Total waste to landfill	Tonnes
% of waste going to landfill	%
% effluent compliance to the Roadmap to Zero standards	%
Total workforce headcount (for 'Great Place to Work®' calculation)	No.
Workforce with a 'Great Place to Work®' certification	No.
% employees in units covered by 'Great Place to Work®' Certification	%
Total senior leadership headcount	No.
Female senior leadership headcount	No.
% of females in senior leadership	%

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Coats

In preparing the Subject Matter Coats applied the methodology as described in the Basis of Reporting dated 4th March 2025 (the "Criteria"). Such Criteria were specifically designed to provide definitions and methodologies for the reporting of the Subject Matter. As a result, the subject matter information may not be suitable for another purpose.

Coats' responsibilities

Coats' management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and the International Standard for Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), and the terms of reference for this engagement as agreed with Coats on 28 August 2024 and amended on 22 January 2025 and 4 March 2025.

Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Independent practitioner's assurance report cont.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with Coats Group staff responsible for guidance on data reporting, managing the data systems, review and quality assurance activities, and presentation of the data in the Report.
- Analysis of key documents related to policies and procedures related to the Coats Group's commitments, and relevant reporting by Coats Group;
- Interviews with sustainability, operational and finance representatives to understand the quality assurance performed on data submitted by operational sites.
- On-site and remote testing of data with data coordinators to:
  - Understand the quality assurance performed and subsequent revisions to the data.
  - Walk-through data reported from a sample of sites to test the process of consolidation.
  - Undertake analytical review procedures to support the reasonableness of the data and make inquiries of management to obtain explanations for any significant differences we identified.
  - Select a sample of data points from across the business and seek documentary evidence to support the accuracy of the data.
- Checking that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria.
- Considering the presentation of the data and supporting narrative in Coats Group's Sustainability Report, to check that this is consistent with the findings from our procedures above.

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the years ended 31 December 2024, 31 December 2023, and 31 December 2022, in order for it to be in accordance with the Criteria.

Use of our report

This report is produced in accordance with the terms of our engagement letter solely for the purpose of reporting to the directors of the Company in connection with the Subject Matter for the period ended 31 December 2024, 31 December 2023, and 31 December 2022. Those terms permit disclosure on the Company's website, solely for the purpose of the Company showing that it has obtained an independent assurance report in connection with the Subject Matter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body, for the procedures performed, for this report, or for the conclusions we have formed. This engagement is separate to, and distinct from, our appointment as the auditor to the Company.

Ernst & Young LLP
5 March 2025

London, United Kingdom

Group structure

The Company, through various subsidiaries, has branches in several different jurisdictions in which the business operates outside the UK. Unless otherwise indicated, all shareholdings owned directly or indirectly by the Company represents 100% of issued share capital of the subsidiary.

Subsidiaries:

Direct holdings of the Company

Country of Incorporation	Company name	Registered office address	Share class
United Kingdom	Arrow HJC	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	B. M. Estates Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Contractors' Aggregates Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	GPG (UK) Holdings Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	GPG March 2004 Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	S G Warburg Group Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary

Subsidiaries:

Indirect holdings of the Company

Country of Incorporation	Company name	Registered office address	Share class
Australia	Coats Australian Pty Ltd	Unit 2, 56 Keys Road, Moorabbin VIC 3189, Australia	AUD0.54 Ordinary
Australia	Guinness Peat Group (Australia) Pty Limited	Level 44, 600 Bourke Street, Melbourne, Victoria, 3000, Australia	AUD1.00 Ordinary, AUD14,977.77 Redeemable Preference
Bangladesh	Coats Bangladesh Limited	Tower 117, 117/A Tejgaon Industrial Area, Dhaka 1208, Bangladesh	BDT100.00 Ordinary (80%)
Bangladesh	Coats Crafts Bangladesh Limited	Novo Tower, 270 Tejgaon Industrial Area, Dhaka 1208, Bangladesh	BDT100.00 Ordinary (80%)
Bulgaria	Coats Bulgaria Eood	Tsarigradsko shousse bld 7th Km, Sofia 1748, Bulgaria	BGL50.00 Ordinary
Cambodia	Coats Threads (Cambodia) Company Limited	Phnom Penh Tower, No. 445, Room No. 1, 10th Floor, Monivong Blvd corner street 232, 1, Boeng Proluet, Prampir Meakkakra, Cambodia	KHR4,000 Ordinary
Canada	Coats Canada Inc	10 Roybridge Gate Blvd, Vaughan ON L4H 3M8, Canada	Common (no par value)
Canada	Staveley Services Canada Inc	44 Chipman Hill, Suite 1000, Saint John NB E2L 2A0, Canada	CAD Common, CAD Class A Pref 1, CAD Class A Pref 2
Chile	Coats Cadena Ltda	Enrique Gomez Correa 5750, 3er piso, Oficina No.4, Macul, Santiago, Chile	US$1.00 Ordinary
China	Coats Shenzhen Limited	Coats Industrial Park, Fengtang Avenue, Zhancheng Community, Fuhai Street, Baoan District, Shenzhen, China 518103	US$1.00 Ordinary (90%)
China	Coats Zip Shenzhen Limited	B7, Coats Industrial Park, Fengtang Avenue, Zhancheng Community, Fuhai Street, Bao'An District, Shenzhen, China	US$1.00 Ordinary (90%)
China	Donguan Rhenoflex New Materials Co. Ltd	Building 5, No. 77 Shilong Road, Guancheng Street, Dongguan, Guangdong Province, China	US$500,000.00 Ordinary
China	Guangzhou Coats Limited	Unit B12, 2nd Floor, 2nd Building, No 11 Hao Ke Zhou East Street, Haizhu District, Guangzhou, China	HKD1.00 Ordinary (90%)
China	Jiangyin Rhenoflex Waterproof Material Co. Ltd	No. 58 Dong Sheng Road, Hi-Tech Park, Jiangyin Economic Development Zone, China	US$1,500,000.00 Ordinary
China	Qingdao Coats Limited	No. 6, Sanhuan Road, Jimo Environmental Protection Industrial Park, Jimo District, Shandong, China	US$1.00 Ordinary (90%)

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
China	Shanghai Coats Limited	No.8 Building, Export Processing Garden, Songjiang Industrial Zone 201613, Shanghai, China	US$1.00 Ordinary (90%)
China	Texon Dongguan Non Woven Ltd	No. 17 Weiheng Road, Niushan Foreign Economics Industrial Park, Dongcheng Street, Dongguan City, China	US$1,420,000.00 Ordinary
Colombia	Coats Cadena Andina SA – Colombia	Avenida Santander, N.5E-87, Pereira, Colombia	COP20.63 Ordinary
Egypt	Coats Craft Egypt	New Cairo, 5th settlement, Villa 28, Egypt	EGP1.00 Ordinary
Egypt	Coats Egypt for manufacturing and dyeing sewing thread SAE	Industrial Area Zone B3, Plot 78, 10th of Ramadan City, Cairo, Egypt	US$31.25 Ordinary
Egypt	Coats for Trading and Industry Egypt	Industrial Area Zone B3, Plot 62, 10th of Ramadan City, Cairo, Egypt	EGP4000.00 Ordinary
El Salvador	Coats El Salvador, S.A. de C.V.	Zona Franca Export Salva, Edificio No 18C, San Salvador, El Salvador	US$12.00 Ordinary
France	Coats France S.A.S.	8 avenue Hoche, 75008, Paris, France	€0.60 Ordinary
France	Coats Footwear France SAS	3 rue du Moulin, 49450 St. Macaire en Mauges, France	€188,401.00 Ordinary
Germany	Coats GmbH	1 Suedwieke 180, 26817 Rhauderfehn, Germany	€12,000,000.00 Ordinary
Germany	Coats Thread Germany GmbH	Giulinistraße 2, 67065 Ludwigshafen, Germany	€11,704,000.00 Ordinary
Germany	Rhenoflex GmbH	Giulinistraße 2, 67065 Ludwigshafen, Germany	€1.00 Ordinary
Germany	Schwanenwolle Tittel & Krueger AG i. L	RHS, Stadtstrasse 29, 79104 Freiburg, Germany	DEM1.00 Ordinary
Germany	Texon Components GmbH	Roigheimer Str., 69-72, Mockmuhl, 74219, Germany	€25,564.59 Ordinary
Germany	Texon Mockmuhl GmbH	Roigheimer Str., 69-72, Mockmuhl, 74219, Germany	€27,041,999.59 Ordinary
Guatemala	Coats de Guatemala, S.A.	13-78 Zona 10, Edif. Intercontinental Plaza Torre Citigroup Nivel 17, Oficina 1702, Ciudad, Guatemala	GTQ1.00 Ordinary
Guatemala	Crafts Central America, S.A.	26 Avenida No. 7-27, Zona 4, Mixco oficina 11, Guatemala	GTQ100.00 Ordinary
Guatemala	Distribuidora Coats de Guatemala, Sociedad Anomina	39 Avenida, 3-47 Zona 7, Colonia El Rodeo, Guatemala	GTQ1.00 Ordinary

Country of Incorporation	Company name	Registered office address	Share class
Guatemala	Guatemala Thread Company Sociedad Anonima	39 Avenida, 3-47 Zona 7, Colonia El Rodeo, Guatemala	GTQ10.00 Ordinary
Honduras	Coats Honduras, S.A.	Edificio #13 Zona Libre Inhdelva, 800 mts. Carretera a la Jutosa, Choloma, Cortes, Honduras	HNL100.00 Ordinary
Hong Kong	China Thread Development Company Limited	Unit 1-4, 10/F, The Broadway, 54-62 Lockhart Road, Wanchai, Hong Kong	HKD10.00 Ordinary
Hong Kong	Coats (China) Limited	Unit 1-4, 10/F, The Broadway, 54-62 Lockhart Road, Wanchai, Hong Kong	HKD10.00 Ordinary
Hong Kong	Coats China Holdings Limited	Unit 507, 5/F, Chinachem Golden Plaza, 77 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	HKD10.00 Ordinary
Hong Kong	Coats Hong Kong Limited	Unit 507, 5/F, Chinachem Golden Plaza, 77 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong	HKD10.00 Ordinary (90%)
Hong Kong	Coats Thread HK Limited	Unit 507, 5/F, Chinachem Golden Plaza, 77 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong Unit	HKD10.00 Ordinary
Hong Kong	Rhenoflex Hong Kong Ltd	5/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong	HKD1.00 Ordinary
Hong Kong	Texon International (Asia) Limited	Room 1–4, 10th Floor, The Broadway, 54-62 Lockhart Road, Wanchai, Hong Kong	HKD1.00 Ordinary
Hungary	Coats Magyarorszag Cernagyarto es Ertekesito Korlatolt Felelossegu Tarsasag	1044 Budapest, Vaci ut 91, Hungary	HUF100,000.00 Ordinary
India	Intellosol Softwares India Private Limited	1/22, Second Floor, Asaf Ali Road, New Delhi, Central Delhi, Delhi, 110002, India	INR10.00 Ordinary
India	Madura Coats Private Limited	Unit No.3&4, Floor 3, Navigator Building, International Tech Park, Whitefield Road, Bangalore 560 066, India	INR10.00 Ordinary
India	Texon (India) Private Limited	S. No. 376, Thirumudivakkam Main Road, Behind Amarprakash Heritage Apartments, Thirumudivakkam, Chennai, Tamil Nadu, 600044, India	INR100.00 Ordinary
Indonesia	PT. Coats Rejo Indonesia	Ventura Building, Lantai 5, Suite 501-A, Jl. RA Kartini No. 26, Cilandak, Jakarta, Indonesia	US$1.00 Ordinary-A, US$1.00 Ordinary-B, US$1.00 Preference
Indonesia	PT Coats Trading Indonesia	Ventura Building, Lantai 5, Suite 501-B, Jl. RA Kartini No. 26, Cilandak, Jakarta, Indonesia	USD1.00 Ordinary
Italy	Texon Italia S.r.l.	Largo Augusto, 8, Milan, 20122, Italy	€1.00 Ordinary

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
Malaysia	Coats Thread (Malaysia) Sdn. Bhd.	49-B Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia	RM10.00 A, RM10.00 B, RM10.00 C (99%)
Mauritius	Coats Indian Ocean Holding Co Limited	2nd Floor, IBL House, Caudan, Port-Louis, Mauritius	US$100.00 Ordinary
Mexico	Coats Mexico S.A. de C.V.	Periferico Sur #3325 Piso 8, Col. San Jerónimo Lídice, Magdalena Contreras, Mexico City, CP10200, Mexico	MXP1.00 Ordinary-A, MXP1.00 Ordinary-B
Morocco	Coats Maroc	220 Bld Chefchaouni, Ain Sebaa, Casablanca, Morocco	MAD100.00 Ordinary
Morocco	Mercerie Industrielle de Casablanca	220 Bld Chefchaouni, Ain Sebaa, Casablanca, Morocco	MAD100.00 Ordinary
Netherlands	Coats Industrial Europe Holdings B.V.	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
Netherlands	Coats Industrial Thread Holdings B.V	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
Netherlands	Coats Northern Holdings B.V.	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
Netherlands	Coats South America Holdings B.V.	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
Netherlands	Coats South Asia Holdings B.V.	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
Netherlands	Coats Southern Holdings B.V.	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	$1.00 Ordinary
New Zealand	Coats Patons (New Zealand) Ltd	3 Mana Place, Wira, Auckland, New Zealand	NZD1.00 Ordinary
Nicaragua	Coats de Nicaragua SA	Altamira d'este, Rotonda Madrid #235, Managua, Nicaragua	NIO100.00 Ordinary
Pakistan	J & P Coats Pakistan (Pvt) Limited	Factory Office, A/7, Estate Ave, Sindh Industrial Trading Estate, Karachi, Pakistan	PKR100.00 Ordinary
Peru	Coats Cadena SA – Peru	Av. Republica de Panama 3461, Piso 9, San Isidro, Lima, Peru	PEN 0.01 Ordinary (99%)
Poland	Coats Polska Spolka z oganiczona odpowiedzialnoscia	Nowe Sady 2, 94-102 Lodz, Poland	PLN1,000.00 Ordinary

Country of Incorporation	Company name	Registered office address	Share class
Portugal	Coats – Comercio de Linhas, Fechos e Acessorios, Para a Industria Industria Unipessoal Lda	Praca Duque de Saldhana, 1, Edif. Atrium Saldanha, Piso 7, Lisbon, 1050-094, Portugal	€150,000 Quotas
Portugal	Companhia de Linha Coats & Clark Unipessoal Lda	Praca Duque de Saldhana, 1, Edif. Atrium Saldanha, Piso 7, Lisbon, 1050-094, Portugal	€5,000,000 Quotas
Romania	Coats Romania SRL	Municipiul Odorheiu Secuiesc, Str. Nicolae Balcescu, Nr. 71, Judetul Harghita, Romania	RON169.38 Ordinary
Russian Federation	Coats LLC	Office No. 4, part of premises No. 13, 7th Floor, st. Krasnaya, 1, Lyubertsy, Moscow, Russia	RUB173.55 Ordinary
Singapore	Coats International Pte. Limited	12 Marina View, #11-01, Asia Square Tower 2, 018961, Singapore	SGD1.00 Ordinary
South Africa	Coats South Africa (Proprietary) Limited	107 Escom Road, New Germany, 3620, KZN, Natal, South Africa	ZAR0.01 Ordinary, ZAR0.01 Cumulative Redeemable Preference, ZAR0.01 Non-redeemable Preference Shares, ZAR0.01 Non-redeemable Non-cumulative Variable Rate Convertible Preference
Spain	Gotex S.A.	Avinguda de Montcau, No 5, Parcela A del VGP Llica d'Amunt, (Nave E2 y E3), Llica de Munt, Barcelona, 08186, Spain	€6.02 Ordinary
Sri Lanka	Coats Thread Exports (Private) Limited	Moragahahena, Millewa, Horana, 12400, Sri Lanka	LKR100.00 Ordinary (99%)
Sri Lanka	Coats Thread Lanka (Private) Limited	Moragahahena, Millewa, Horana, 12400, Sri Lanka	LKR10.00 Ordinary (99%)
Sweden	Coats Industrial Scandinavia AB	Stationsvagen 2, SE-516 31 Dalsjofors, Sweden	SEK1,000.00 Bearer
Switzerland	Coats Stroppel AG	c/o Haussmann Treuhand AG, Seefeldstrasse 45, 8008 Zurich, Switzerland	CHF2,500.00
Thailand	Coats Threads (Thailand) Ltd	39/60 Moo 2 Tambol Bangkrachaw, Amphur Muang, Samutsakorn Province 74000, Thailand	THB1,000.00 Ordinary

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
Tunisia	Coats Industrial Tunisie	52, rue du Tissage, Douar Hicher, Manouba, 2086, Tunisia	TND10.00 Ordinary
Tunisia	Coats Trading Tunisie	52, rue du Tissage, Douar Hicher, Manouba, 2086, Tunisia	TND10.00 Ordinary
Turkey	Coats (Turkiye) Iplik Sanayii AS	BALAT OSB MAH Mavi Cad. No 2, 16225 Bursa, Turkey	TRY1.00 New Ordinary (92%)
Ukraine	Coats Ukraine Ltd	Moskovskiy ave. 28A, litera B, Kiev, 04655, Ukraine	UAH1.00 Ordinary
United Kingdom	Allied Mutual Insurance Services Ltd	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Anfield 1 Limited	Mazars Llp, 45 Church Street, Birmingham, B3 2RT United Kingdom	£1.00 Ordinary
United Kingdom	Anfield 2 Limited	Mazars Llp, 45 Church Street, Birmingham, B3 2RT United Kingdom	£1.00 Ordinary, £1.00 Deferred
United Kingdom	Barbour Threads Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, United Kingdom	£10.00 Ordinary
United Kingdom	Brown Shipley Holdings Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Brunel Pension Trustees Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Cardpad Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats (UK) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary, £1.00 Ordinary A
United Kingdom	Coats Digital Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Finance Co. Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Group Finance Company Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.33 Ordinary
United Kingdom	Coats Holding Company (No. 1) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.125 Ordinary
United Kingdom	Coats Holding Company (No. 2) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.25 Ordinary
United Kingdom	Coats Holdings Ltd	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary

Country of Incorporation	Company name	Registered office address	Share class
United Kingdom	Coats Industrial Thread Brands Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Industrial Thread Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Patons Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, United Kingdom	£0.25 Ordinary
United Kingdom	Coats Pensions Trustee Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Property Management Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Shelfco (BDA) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Shelfco (CV Nominees) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats Shelfco (VV) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.01 Ordinary, £0.075 Deferred
United Kingdom	Coats Trading (UK) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats UK Pension Scheme Trustees Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Coats VTT Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	US$0.01 Ordinary
United Kingdom	Corah Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.25 Ordinary, £1.00 4.2% Cumulative Preference
United Kingdom	D. Byford & Co Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.20 Ordinary, £1.00 Preference
United Kingdom	Embergrange	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Fast React Systems (Bangladesh) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Fast React Systems Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	GPG Securities Trading Ltd	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
United Kingdom	Griffin SA Ltd	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	GSD (Corporate) Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	GSD Holdings Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary-A, £1.00 Ordinary-B
United Kingdom	Hicking Pentecost Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.50 Ordinary
United Kingdom	I.P. Clarke & Co. Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	J.& P. Coats, Limited	1 George Square, Glasgow G2 1AL, United Kingdom	£1.00 Ordinary
United Kingdom	Marshaide Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Needle Industries Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Patons & Baldwins Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Patons Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary, £1.00 7% Preference
United Kingdom	Simpson, Wright & Lowe, Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Sir Richard Arkwright & Co. Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	SIRBS Pension Trustee Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Staveley 2005 No 3 Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Staveley Industries Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Staveley Services Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Texon (Newco 2) Ltd	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	£1.00 Ordinary
United Kingdom	Texon International Group Limited	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	£0.0001 A Ordinary, £0.0001 B Ordinary, £0.00001 Deferred Ordinary

Country of Incorporation	Company name	Registered office address	Share class
United Kingdom	Texon Management Ltd	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	£1.00 Ordinary
United Kingdom	Texon Non Woven Ltd	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	£1.00 Ordinary
United Kingdom	Texon Overseas	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	£1.00 Ordinary
United Kingdom	The Central Agency Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, United Kingdom	£10.00 Ordinary
United Kingdom	Thomas Burnley & Sons, Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£10.00 Ordinary
United Kingdom	Tootal Group Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£0.25 Ordinary, £1.00 3.5 % Cumulative Preference
United Kingdom	Tootal Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 Ordinary
United Kingdom	Torque Group International Fortune Limited	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	$0.01 A Ordinary, $0.01 B Ordinary, $0.01 C Ordinary
United Kingdom	Torque Group International Wealth Limited	4th Floor, 14 Aldermanbury Square, London, EC2V 7HS, United Kingdom	$1.00 Ordinary
United States	Coats American Inc	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	US$10.00 COMMON, US$5.00 5% Cumulative Preference
United States	Coats Garments (USA) Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	US$1.00 Ordinary
United States	Coats Holdings Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	US$1.00 Ordinary
United States	Coats HP Holding Inc	CT Corporation System, 160 Mine Lake Ct., Suite 200, Wake NC 27615-6417, USA	US$1.00 Ordinary
United States	Coats HP Inc	CT Corporation System, 160 Mine Lake Ct., Suite 200, Wake NC 27615-6417, USA	US$1.00 Ordinary
United States	Coats North America Consolidated Inc	CT Corporation System, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA	US$0.10 Ordinary, US$1.00 Class B Voting Shares
United States	Coats North America de Republica Dominica Inc	CT Corporation System, 160 Mine Lake Ct., Suite 200, Raleigh, North Carolina, 27615-6417, USA	US$1.00 Ordinary
United States	Coats Sales Corporation	CT Corporation System, 820 Bear Tavern Road, West Trenton, NJ 08628, USA	US$100.00 Ordinary

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
United States	Jaeger Sportswear Ltd	CT Corporation System, 28 Liberty Street, New York, NY 10005, USA	US$ Common
United States	Patrick Yarn Mill, Inc.,	CT Corporation System, 160 Mine Lake Ct., Suite 200, Raleigh, North Carolina, 27615-6417, USA	US$1.00 Class A voting, Class B non-voting
United States	Rhenoflex Americas Corp.	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, United States	US$0.01 Ordinary
United States	Staveley Inc	The Corporation Trust Co., 1209 Orange Street, Wilmington, DE 19801, USA.	US$0.01 Ordinary
United States	Texon Materials, Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, DE, United States	US$0.01 Ordinary
United States	Westminster Fibers, Inc.	c/o The Corporation Trust, 1209 Orange Street, Wilmington, Delaware, USA	US$1.00 Common shares
Vietnam	Coats Footwear Vietnam Limited Liability Company	Plant 57, 1-7 street, Long Thanh Industrial Park, Tam An Commune, Long Thanh District, Dong Nai Province, Viet Nam	VND17,581,335,900 Ordinary
Vietnam	Coats Phong Phu Limited Liability Company	No. 48 Tang Nhon Phu Street, Tang Nhon Phu B Ward, Thu Duc City, Ho Chi Minh City, Vietnam	US$1.00 Ordinary (64%)
Vietnam	Texon Manufacturing Vietnam Company Limited	Plant No. 02 and Factory No. 03, An Phuoc Industrial Zoe, An Phuoc Ward, Long Thanh District, Dong Nai Province, Viet Nam	VND33,446,917,552 Charter Capital

Joint Ventures

Country of Incorporation	Company Name	Registered Office address	Share class
China	Guangying Spinning Company Limited	2 Yuan Cun Xi Jie Guangzhou, 510655, China	US$1.00 Ordinary (50%)
China	Tianjin Jinying Spinning Co Ltd	10m E of intersec. of Jinlai Rd and Mingqing Rd, Liqi Zhuang, Xiqing Qu, Tianjin, 300381, China	US$1.00 Ordinary (50%)
India	S&P Threads Private Limited	Delite Theatre Building, III Floor, Asaf Ali Road, New Delhi, 110 002, India	INR10.00 Ordinary (50%)

Statutory audit exemptions

Coats Group plc has issued a parental guarantee under s479C of the Companies Act 2006 to the following companies, exempting them from the requirements of the Companies Act 2006 related to the audit of individual accounts by virtue of s479A of the Companies Act 2006.

Company	Registered number
B. M. Estates Limited	01032353
Brown Shipley Holdings Limited	00653955
Cardpad Limited	04115596
Coats Digital Limited	04952167
Coats Finance Co. Limited	02591134
Coats Holdings Ltd	00104998
Coats Industrial Thread Limited	00332517
Coats Property Management Limited	00508154
Coats Trading (UK) Limited	13264213
Fast React Systems (Bangladesh) Limited	08586160
Fast React Systems Limited	03698622
GPG (UK) Holdings Limited	00159975
GSD (Corporate) Limited	03081931
GSD Holdings Limited	03997465
I.P. Clarke & Co. Limited	00093416
J.& P. Coats, Limited	SC002042
Texon (Newco 2) Ltd	05329581
Texon International Group Limited	05329617
Texon Management Ltd	05308213
Texon Non Woven Ltd	05286674
Texon Overseas	02082136
Torque Group International Fortune Limited	10076655
Torque Group International Wealth Limited	10076684

Five-year summary

For the year ended 31 December	2020 US$m	2021 US$m	2022 US$m	2023 US$m	2024 US$m
Continuing operations (before exceptional and acquisition-related items)[1]:					
Revenue	1,077.1	1,398.6	1,537.6	1,394.2	**1,500.9**
Cost of sales	(737.3)	(941.2)	(1,049.3)	(910.9)	**(953.1)**
Gross profit	339.8	457.4	488.3	483.3	**547.8**
Operating costs	(225.6)	(262.1)	(255.6)	(249.9)	**(278.2)**
Operating profit	114.2	195.3	232.7	233.4	**269.6**
Share of profits from joint ventures	0.6	1.2	1.1	1.1	**1.9**
Finance income	0.7	0.4	2.6	4.6	**3.1**
Finance costs	(25.5)	(21.8)	(32.3)	(33.9)	**(32.7)**
Profit before taxation	90.0	175.1	204.1	205.2	**241.9**
Taxation	(35.2)	(53.3)	(60.1)	(57.9)	**(70.1)**
Profit from continuing operations	54.8	121.8	144.0	147.3	**171.8**
Adjusted earnings per share (cents)	2.42	7.17	8.02	8.04	**9.49**
Dividend per share (cents)	1.30	2.11	2.43	2.80	**3.12**
Adjusted free cash flow ($m)	28.0	123.8	113.7	130.5	**153.2**
Adjusted return on capital employed (%)	22%	45%	31%[1]	30%	**38%**

Notes:

1. Operating profit from continuing operations before exceptional and acquisition-related items for the year ended 31 December 2022 has been adjusted in the adjusted return on capital employed calculation to include Texon and Rhenoflex as if the acquisitions had taken effect at the beginning of the reporting period (1 January 2022).

Shareholder information

United Kingdom
4th Floor,
14 Aldermanbury Square,
London EC2V 7HS
Tel: 020 8210 5000
coats.com

Incorporated and registered in England No. 103548

Registered office:
4th Floor,
14 Aldermanbury Square,
London EC2V 7HS

UK registered members

To manage your shareholding online, please visit: **investorcentre.co.uk**

Location of share registers

The Company's register of members is maintained in the United Kingdom
Register enquiries may be addressed direct to the Company's share registrars named below:

Registrar	Telephone and postal enquiries	Inspection of Register
UK Main Register:		
Computershare Investor Services PLC	The Pavilions Bridgwater Road Bristol BS13 8FD Tel: 0370 707 1022 Facsimile: 0370 703 6143	The Pavilions Bridgwater Road Bristol BS13 8FD

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Incorporated and registered
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