A GREAT PLACE TO WORK

World's 25
Best Workplaces

Coats Group plc
Annual Report 2023

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

Big, bold, game-changing ideas are crucial to delivering this. We are accelerating profitable sales growth through our ground-breaking sustainable products and solutions, transforming Coats for the future and creating value for our customers, their industries, our shareholders, our people and the communities in which we operate.

Read about our business model on page 19
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DISCOVER OUR DIVISIONS

Apparel: Pioneering leaders in customer value creation

Footwear: Market leader shaping the future of footwear components

Performance Materials: Transforming the footprint for growth

About this report

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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

2023 full year results and highlights

> "There is much to be confident about in Coats' trading performance in the year. Against the backdrop of widespread industry destocking, we gained market share, grew our margin and our adjusted free cash flow."

Rajiv Sharma,
Group CEO

14%
ORGANIC REVENUE DECLINE

44%
RECYCLED SALES GROWTH

160bps
EBIT MARGIN GROWTH

$131m
ADJUSTED FREE CASH FLOW

16.7%
ADJUSTED EBIT MARGIN

8.0c
ADJUSTED EPS

2.80c
TOTAL DIVIDEND UP 15%

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 are manufacturers of sustainability-led innovative products, and trusted partner to leading brands 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

>15,000
Permanent employees

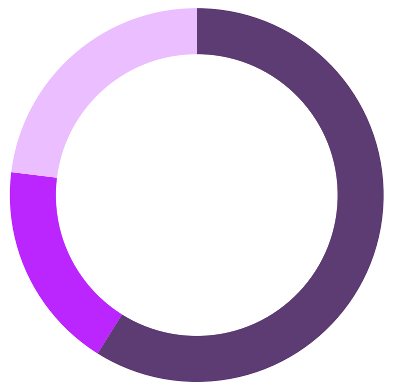
>30,000
Customers globally

>250
Years of textiles experience

Revenue by division

- Apparel & Footwear 76%
- Performance materials 24%

Revenue by region



- Asia 59%
- Americas 18%
- EMEA 23%

Financial highlights

- Reported revenue down 9%
- Organic revenue 14% lower, on improving trend (H1: 19% lower; H2 10% lower) with:
  - Continued outperformance vs industry – Apparel and Footwear markets c.20% lower
- Achieved 2024 Group adjusted EBIT margin target 17% in the second half, one year ahead of plan
- Strong adjusted free cash flow of $131 million, despite lower sales volumes
- Net debt (excluding lease liabilities) lower at $384 million with 1.5x leverage[3]
- Proposed final dividend of 1.99 cents, +15%, reflecting the Board's confidence in growth strategy and future performance

Transforming the business

- Global market leader in 100% recycled thread products – revenue grew 44% to $172 million at constant currency, despite lower industry volumes
- Strategic projects delivered further $37 million accelerated savings, with overall savings on track for $70 million by 2024
- Integration synergies from Texon and Rhenoflex has delivered a total of $16 million savings to date ($19 million annualised), well ahead of pre-acquisition expectations ($11 million by 2024)
- Received Great Place To Work® accolade – and recognised as one of the world's top 25 workplaces
- "Off trigger" activated for UK pension scheme, resulting in £2 million per month cash savings in 2024; working towards full pension scheme de-risking in the medium term

Financial performance

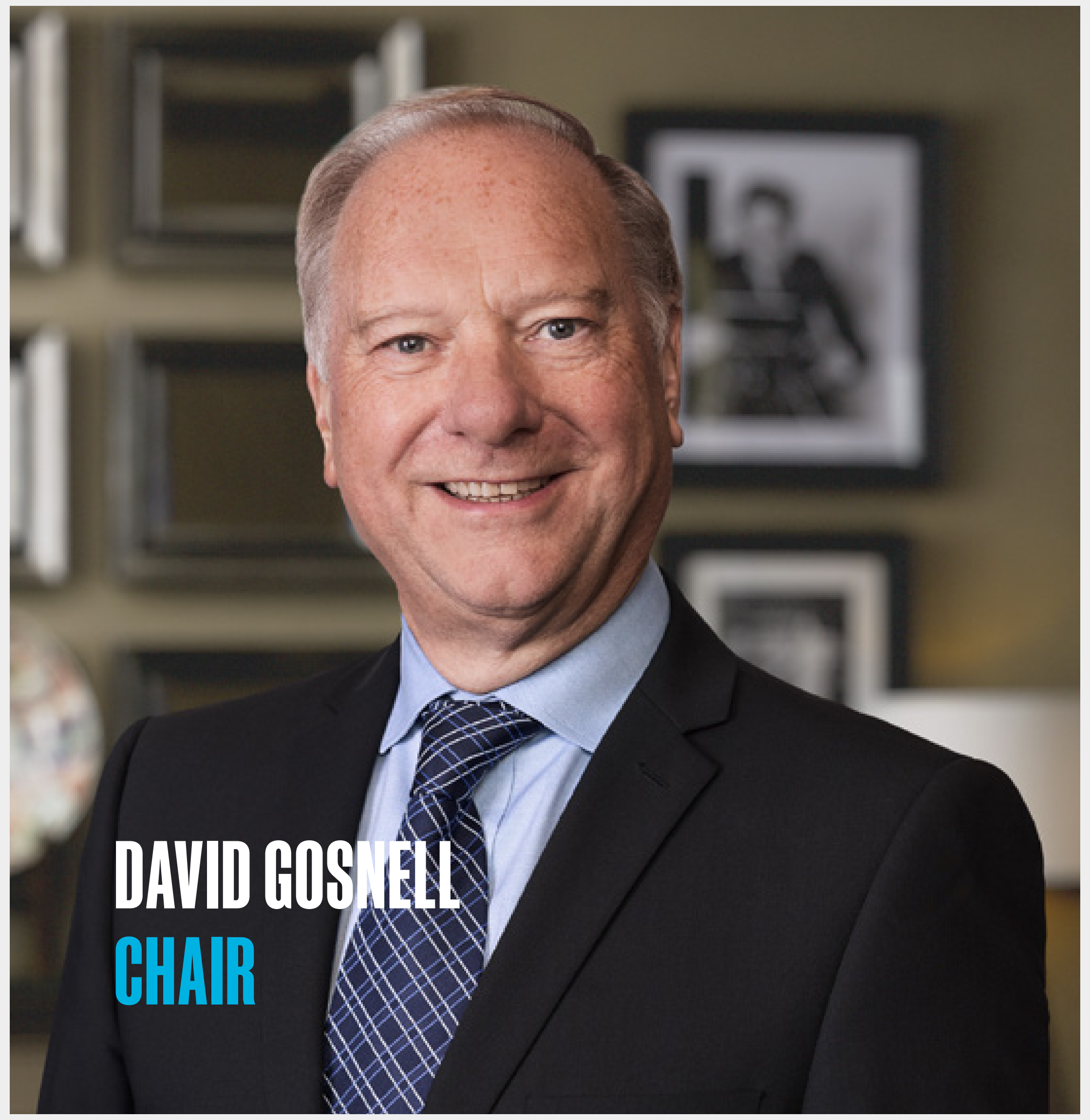
Continuing operations	FY 2023	FY 2022 [4]	FY2023 vs FY 2022		
			Reported	CER	Organic
Revenue	**$1,394m**	$1,538m	(9%)	(6%)	(14%)
Adjusted [1]					
EBIT [6]	**$233m**	$233m	0%	4%	(4%)
Basic earnings per share	**8.0c**	8.0c	0%		
Free cash flow	**$131m**	$114m			
Net debt (excl. lease liabilities)	**$384m**	$394m			
Reported [2]					
EBIT [6]	**$184m**	$181m	2%		
Basic earnings per share [5]	**5.2c**	4.8c	7%		
Net cash generated by operating activities	**$124m**	$96m			
Final dividend per share [7]	**1.99c**	1.73c			

1. Adjusted measures are non-statutory measures (Alternative Performance Measures). These are reconciled to the nearest corresponding statutory measure in note 14. Constant Exchange Rate (CER) metrics are 2022 results restated at 2023 exchange rates. Organic figures are results on a CER basis, and only includes like-for-like contributions from Texon and Rhenoflex post their respective acquisition dates.
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 37b for details.
4. Restated to reflect the results of the EMEA Zips business, divested in 2023, as a discontinued operation. This has resulted in a reduction in previously reported 2022 revenues of $46 million and $2 million adjusted EBIT.
5. From continuing operations.
6. EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.
7. Total dividend per share 2.80 cents.

Some of our customers

INDITEX
ADIENT
American Apparel
Columbia
COMMSCOPE
DECATHLON
EUROPROTECT
Technical fabrics for protective apparels
PVH
THE NORTH FACE

Chair's statement



> Coats has always thrived on the foundations of its culture and the people who make it special, and I am proud that we have been externally recognised as one of the top 25 workplaces globally.

Resilient Coats/performance

This year has been no less challenging for the world than we have seen in recent years. The conflict in Ukraine, followed by the escalated situation in the Middle East have served to remind us of these various global challenges.

During the pandemic Coats utilised its global footprint to maintain service to all our customers, and were prepared and ready to capture the return in demand. 2023 saw a year of unprecedented destocking, along with cost of inventory, continued inflation and elevated interest rates. Coats once again responded and focussed on controlling the controllable to deliver cash and margin. Our resilience in the face of such challenges underlines the importance and effectiveness of our business model.

Destocking has been a theme across the industry and whilst in 2023 Coats was no different in this regard, it is a great credit to our customer focus and agility that we continued to grow market share alongside margin enhancement.

Transformation

Last year saw the double acquisition of Texon and Rhenoflex, which has been pivotal in Coats' most recent evolution. I am delighted with the way both companies have seamlessly integrated to create another world-class business in our new Footwear division. This is testament to the closely aligned cultures and goals of all three businesses and has resulted in the delivery of synergies in excess of those announced on acquisition.

Our programme of Strategic Projects, announced in 2022, is on course to deliver as Coats continued to demonstrate its ability to execute on large-scale projects. Importantly, we have completed the majority of our US and Mexican manufacturing footprint projects, and we are currently in the process of ramping up utilisation.

2023 also saw the sale of tail markets in Mauritius and Madagascar as well as the disposal of our EMEA Zips business, further streamlining our operations and allowing management to focus on delivering value to the Group. I wish those businesses all the best for the future.

Capital allocation

Our capital allocation policy remains unchanged and focusses on four key pillars (i) reinvesting in organic growth (ii) acquisitions in line with disciplined strategy (iii) supporting pensions and (iv) paying a progressive dividend. We implement these pillars whilst maintaining a strong Balance Sheet with a target leverage ratio of 1–2x.

Following on from the £350 million buy-in in 2022, we have made significant progress on UK Pensions by agreeing with the UK Pension Trustees to switch off our deficit repair payments. These payments will remain off so long as the pension scheme assets remain above 99% of its technical provisions. We remain focussed on removing the risk from our Balance Sheets and optimising our Capital Allocation to enable additional growth opportunities.

The Board is mindful of the importance of returns to shareholders. To underline the strong progress we have made in 2023, we are pleased to propose a final dividend for the year of 1.99 cents per share, bringing the total dividend for the year to 2.80 cents per a share, a 15% increase on the 2022 total dividend. Subject to approval at the AGM, the final dividend will be paid on 30 May 2024 to ordinary shareholders on the register at 3 May 2024, with an ex-dividend date of 2 May 2024.

Sustainability

Sadly, the human impact on the world is not confined to conflict. The recurrence of natural disasters correlated to climate change has only reinforced the importance of our longstanding industry-leading commitment to the environment. We continue to deliver on our stretching sustainability goals, adding further momentum in the last year with the opening of the Madurai, India Innovation hub, established to accelerate the development of sustainable materials, and the addition of solar panels to a key site in Bangladesh are among many examples of our investment.

I was also delighted to see Coats receive the Cradle to Cradle Certified Material Health Certificate, and to be recognised with such positive feedback at the Shenzhen Fashion week, where we showcased garments made with 100% EcoVerde, which is a part of our sustainable thread range. As consumers become ever more aware of the impact on the environment, and ever more inclined to change their behaviours, Coats stands well positioned to deliver, having been a pioneer and consistently invested in Sustainability for many years.

Innovation

Sustainability also leads our Innovation strategy, the four Global Innovation hubs being prime examples of this. Coats has a rich history of new and innovative products, and as we witness the transition to recycled, circular materials we are again at the leading edge in our industry.

Chair's statement cont.

> "The selfless efforts of the rapid response team in Turkey who reacted to the earthquake reflects our core values of collaboration, agility, can-do, passion and diversity and gives me great pride and admiration."

David Gosnell, Chair

8.0c

Adjusted EPS: earnings maintained despite industry destocking environment

2.80c

Total dividend up 15% from 2022

As the world looks towards energy conservation, lightweighting and material replacement, it will continue to drive demand for product innovation, while the trend towards casualisation and athleisure provides continued momentum for the highest quality threads, especially those that are produced from environmentally friendly materials and manufactured in factories that have an ever lower impact on the world. It is not just what we make, but how we make it.

Our network of Innovation hubs around the world will continue to differentiate Coats as an unparalleled leader in Innovation in our industry.

Great Place To Work®

Coats has always thrived on the foundations of its culture and the people who make it a special place to work. It therefore gives me great pleasure that in 2023, Coats was named as one of the world's top 25 workplaces by the Great Place To Work® (GPTW®) organisation and Fortune.

The community that drives our performance is why Coats delivers, year on year. I am extremely proud of this achievement and for the recognition that it brings to everyone around the Group.

'Coats Cares'/culture

My admiration for the people of Coats was again brought to the fore as our team in Turkey reacted to the devastating earthquakes in the south-east of the country. A Rapid Response Team of 11 volunteered to engage in rescue and relief mission coordinated by local NGOs, providing much needed vital supplies as well as operating essential equipment to locate and free those trapped. The selfless efforts of these brave individuals demonstrates our core values; collaborative, agile, can-do, passionate and diverse.

The roll-out of our 'Coats for Her' programme is an example of how seriously a diverse workforce with equal opportunities for all sits at the heart of the current and future success of the Group and is among the reasons why we have 17 countries where we are certified as a Great Place To Work®.

Board changes

Nicholas Bull will leave the Coats Board following the AGM to be held in May 2024. I wanted this opportunity to express my most sincerest of thanks to Nicholas, both on behalf of myself, the Board, the Executive Team and everyone at Coats. Nicholas has been a guiding light and foundation of the Coats Board for the past nine years. His insights and leadership have been immeasurable as the Group has transformed itself during his tenure.

In November, Sarah Highfield joined the Board as Non-Executive Director. Sarah's strategic and financial background, having previously served as CEO, CFO and COO at Elvie, and prior to that as CFO at Costa Coffee, will bring valuable insights to Coats. Subject to her election at the 2024 AGM, Sarah will become the Chair of the Audit and Risk Committee, replacing Nicholas. In addition, Sarah will join the Sustainability Committee along with all three Divisional CEOs as we focus on executing our plans in 2024.

Steve Murray will also be appointed Senior Non-Executive Director following the AGM, succeeding Nicholas. Steve joined the Board in September 2022 as a Non-Executive Director, and he is a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee.

On behalf of everyone at Coats, I wish Nicholas, Sarah and Steve all the very best.

Looking ahead

The Group's long-term track record of outperforming the markets we serve is based on our scale, global footprint, innovation, strong digital platform and technical support capabilities, all of which are becoming more relevant to customers and supportive of our revenue growth ambitions. We expect these growth drivers to be augmented by a gradual market recovery and by continued investment in sustainability and operational efficiency which together give us confidence in delivering strong profit growth and cash generation over the medium term.

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

CEO's statement

RAJIV SHARMA
GROUP CEO

> "Despite unprecedented industry-wide destocking, by focussing on our customers, flexing our operating model and the delivery of strategic projects, productivity and procurement savings, Coats has increased market share, strengthened margins, and delivered another year of strong cash flow."

2023 HIGHLIGHTS

14%
Organic revenue decline

$37m
Strategic projects savings in 2023 On track to deliver $70 million in 2024

16.7%
Adjusted EBIT margin

44%
Recycled sales growth

$233m
Adjusted EBIT

$131m
Adjusted free cash flow

CEO's statement cont.

> The business strategy and business model has allowed us to deliver strong financials through the cycle. The business is well positioned as volumes recover."

Rajiv Sharma,
Group CEO

2024 Group adjusted EBIT margin of 17% achieved in H2

World's Top 25 best workplace

It gives me great pride and satisfaction that Coats is included as one of the Top 25 workplaces in the world. It is a testament to the culture we have built in the company, that has been the glue for Coats during significant volatility and external shocks in the past few years. All 15,000 permanent employees in Coats have played a crucial role in the success of the business and are worthy recipients of this prestigious award. A truly remarkable achievement.

Global leader

Coats is the world's largest supplier of industrial sewing thread to the apparel industry with a c.25% global market share. We are also the world's largest supplier of industrial thread and structural components to the footwear industry with a c.27% global market share. Apparel and Footwear are both global leaders in their respective markets, while Performance Materials gives us diversification into industrial end-markets and is a technology incubator.

Delivering despite destocking

We anticipated that destocking would be an industry-wide issue, leading to low demand visibility and reduced volumes, and that we would need to navigate through this period.

Whilst consumer demand for apparel and footwear was resilient, destocking and buffer buying continued through H1. Overall, we anticipated the apparel and footwear industry was down around 20% in terms of manufacturing volumes. Recovery will be gradual improvements every quarter.

We anticipated destocking and had prepared the business to ride through this period of low demand visibility and lower volumes. We have focussed on self-help initiatives, portfolio optimisation and fiscal discipline to deliver robust performance. It is especially pleasing to note that we held pricing, highlighting the critical part we play in the supply chain. Market share has grown across our Apparel threads, Footwear threads and Footwear structural components as sales outpaced the market reflecting not only the strength of our business, our customer focus and flexible operating model, but also our ability to balance sound financial management with investments in sustainability and innovation. This has resulted in improved margins and continued strong cash flow generation.

The business strategy and model has allowed us to deliver strong financials through the cycle, and the business is well positioned as volumes recover.

Innovation

We saw more notable developments of sustainability-led innovation, helping drive progress towards our 2030 committed goal of generating 25% of sales from products created in the previous five years. Examples include:

Hi-P going into soft durable seams essential in athleisure, swimwear and other high-performance apparel where softness, stretch and bulk are critical.

FlamePro Arc Lightweight protective fabric sets new standards for safeguarding against electrical arc incidents, flash fires, and related hazards.

Our 100% Recycled **EcoVerde Neophil** product received validation from key customers across the Automotive sector, solidifying its position as an environmentally conscious industry leader.

Sustainability

In 2022, we announced new sustainability targets for 2026 that will keep us firmly on a path to meet our 2030 goal of reducing emissions by 50% and reach our carbon Net-Zero goal by 2050. We made significant progress on both a strategic and tactical level this year with the opening of a state-of-the-art sustainability hub in Madurai, India and the addition of solar panels to our site in Bangladesh.

The Madurai hub will work alongside our Innovation Centre in Shenzhen, China to accelerate transition to recycled and renewable materials and is part of our $10 million investment to scale up the development of green technologies.

In Bangladesh, solar panels installed across 50,000 square feet of rooftop is expected to reduce fuel-based energy on the site by 12%. During the day, 40% of factory power is from renewable sources.

Our sustainability success is demonstrated in the sales of premium recycled thread which, despite industry destocking, have grown in excess of 44% in the last year. Sustainability is a source of competitive advantage for Coats and helps us grow market share.

CEO's statement cont.

Our people

Talent is coming together with technology in Coats culture to redefine the limits of excellence in every aspect of our business. Our people have formed winning teams and deliver extraordinary results in a very challenging environment. Grit, energy, tenacity and resilience of our employees is coupled with modern tools, processes and programmes to deliver value to customers, shareholders and other stakeholders.

I have already highlighted the accolade of being one of the Top 25 companies in the World to work for, and in 2023 Coats added a further three countries to our list of Great Place To Work® (GPTW®) certified markets, bringing the total to 17.

Employee recognition is fundamental to ensuring that the grassroots programmes we have rolled out are realised, and this is manifest in our comprehensive awards programme acknowledging the work done and goals achieved around the Group.

This aligns with our support and development initiatives that encourage the level of engagement required to be one of the very best workplaces, enabling Coats to connect talent, textiles and technology.

Strategic Projects

Our programme of Strategic Projects continues to deliver with $70 million of cost savings by 2024, with $57 million delivered to date.

Apparel

In the Apparel division, we consolidated our India Distribution Centres into state-of-the-art facilities designed to incorporate future automation in order to capture the near-term growth forecast.

We opened our European Logistics Centre in Romania, rationalising three centres into one whilst still serving 5,000 direct customers. All of this was done seamlessly and without disruption to the business.

In addition to strategic projects, we also divested our EMEA Zips and the Madagascar / Mauritius businesses. This will enable management to focus on areas of the Group that will maximise shareholder value and help shape the future of Coats. I wish both businesses and the employees all the very best for the future under their new ownership.

Footwear

Separately from strategic projects, we have integrated the structural components acquisitions into our existing footwear threads business to create a new footwear division. Again, we are ahead of schedule and I am delighted that we have already delivered $19 million of annualised savings, well ahead of the $11 million savings expected by 2024. Our customers are already seeing the benefits of having a single customer-facing team dedicated to servicing this growing segment.

Performance Materials

Our two new factories in Mexico, designed with best-in-class technologies, are now operational and will complement the ongoing optimisation of the North America footprint. Our Innovation hub in North Carolina continues to be an important part of our customer engagement and source of new products. In 2023, the Division launched 6 new products with promising sales potential and achieved 20% on our Vitality Index.

Financial performance through the cycle

In a year when the world battled the impact of inflation and cost of living challenges, it was important that Coats continued to deliver value. Our ongoing programmes on both a strategic and operational level have seen the Group grow margins and cash through the macro-economic cycle.

Pensions

We continue to make good progress on addressing the UK Pension legacy. 2022 saw a £350 million buy-in and in 2023 we were able to switch off the monthly deficit contribution payments by agreeing a £10 million one-off lump sum payment to take the scheme into a fully funded position. This results in a free cash flow benefit of £2 million per month and will continue as long as the scheme's assets remain above 99% of its technical provisions, optimising our capital allocation and enabling additional growth opportunities. Our medium-term aspiration remains to de-risk the scheme fully and remove it from our Balance Sheet.

Looking ahead

The Group expects to make good progress in 2024 underpinned by modest revenue growth, with a weighting to the second half, as Apparel and Footwear gradually recover, and with increasing tender activity in Performance Materials.

Our continued focus on controlling our costs, including the benefits of strategic projects, increases our confidence in achieving our 17% Group EBIT margin target in 2024.

WE HAVE CAPTURED THE VALUES THAT REFLECT OUR 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.

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 15,000 permanent employees. We speak over 65 languages and come from about 50 different nationalities, cultures, and ethnicities. We come together as one and are a company for all.

Case Study
A Great Place To Work®

WORLD'S BEST WORKPLACE

> Coats is over 250 years old and every employee plays an essential part in our company's story. Our culture narrative is a Great Place To Work®."
>
> Farnaz Ranjbar,
> CHRO

Case Study
A Great Place To Work®

A GLOBAL CULTURE IS NURTURED

THE CULTURE PLAYBOOK IS PLANTED

At Coats, our culture plays a crucial role in shaping the overall work experience and translates into making world-class products for our customers and creating value for our shareholders.

Understanding people is understanding business. That is why we put people at the centre of everything we do. The culture at Coats flourishes from being a Great Place To Work®. Our people playbook is full of people initiatives which grow from our values:

WE
are Collaborative
are Agile
have a CanDo attitude
are Passionate
are Diverse

The result is an employee-centric team working hard every day to delight our customers.

When you are in the top 25 World's Best Workplaces™, you get there by thinking global but acting local. In our workplace, greatness is not just a goal; it's a way of life fostered by a culture that thrives.

We believe that the power of teamwork surpasses individual efforts, encouraging collaboration as the heartbeat of our success. With agility embedded in our DNA, we navigate challenges with resilience and adaptability, turning obstacles into opportunities.

The can-do attitude propels us forward, driving innovation and instilling confidence that no challenge is too great to overcome.

Passion fuels us, transforming work into a fulfilling journey where dedication and enthusiasm are contagious. Embracing diversity as a cornerstone, we understand that as one our strength lies in our unique perspectives, backgrounds, and ideas. Together, we don't just work; we create, inspire, and achieve, building a Great Place To Work® every day.

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People and culture

> We continue to refresh our Great Place To Work® playbook, launching new attractive initiatives to keep engaging and motivating our people, making us one of the World's Best Workplaces™."

Farnaz Ranjbar, Chief Human Resources Officer

POWERED BY OUR PEOPLE:

People are the heart of our business.

Our talented dedicated employees work day in and day out to delight our customers, making our business successful. It is therefore important for us to recruit and develop great people and recognise them for their great achievements. At Coats we do this through our unique culture of connecting talent from the outside in. When our customers understand that Coats is a Great Place To Work®, they feel our people have their best interests in mind. We do this through a constant focus on feedback from our people to make the workplace better every day. Partnering with the Great Place To Work® organisation and leveraging our feedback culture via an annual employee survey, gives us an outside in, 360 view, of what our people are telling us. And we listen. With thousands of actions globally, developed by managers and their teams, complemented by our various people programmes, we have a winning playbook to make us successful. What are the results? On 16 November 2023 Great Place To Work® and Fortune magazine have honoured Coats as one of the Top 25 World's Best Workplaces™. Great Place To Work® selected the World's Best Workplaces by gathering and analysing confidential survey responses representing 6.2 million employees worldwide at Great Place To Work® Certified organisations.

A CULTURE OF ENGAGEMENT:

Making it a daily priority

A culture of engagement is vital to our success, as it serves as the foundation for a motivated, committed, and productive workforce. Beyond internal benefits, a culture of engagement will enhance the company's external image, making it more appealing to top talent, clients, and investors. Ultimately, an engaged workforce is a driving force behind sustained growth, resilience in the face of challenges, and the overall success of Coats. We do this through our many people initiatives. When you plant the seeds of what is a Great Place To Work®, the programmes flourish to help our people feel a sense of true belonging.

People and culture cont.

‘COATS FOR ALL’

Sharing similarities, celebrating differences

Coats is a company not for ‘a few’, not for many but ‘for ALL’ – Our workforce reflects our diverse customer base and remains a competitive advantage. Our ‘Coats for All’ program puts our people principles policy released in 2021 into action and ensures equality of treatment during recruitment, while at work and for development of all employees globally regardless of gender, age, disability, race, religion or belief. We strive to attract and develop diverse employees who in turn deliver the most diverse innovations.

To support the development of our employee experience strategy, we have gathered diversity profiling data such as race, ethnicity, gender, sexual orientation and military status from employees on a voluntary basis since 2021. Our Board Diversity Policy was refreshed supporting the recommendations of the FTSE Women Leaders Review on gender diversity and the Parker Review on ethnic diversity at board level. We are currently in line with the targets, having 44% female representation, two members from an ethnic minority background and six different nationalities on the Board. Diversity, equity and inclusion global events remain a biannual fixture and our recent celebration of International Disability Day at our global virtual events, were well attended by over 500 employees.

‘COATS FOR HER’

Women in leadership

Elevating excellence, empowering equity: Women leading with vision and impact. Where leadership knows no gender; breaking barriers and inspiring futures. The dynamic ‘Coats for Her’ programme continues our dedicated efforts towards gender diversity, spearheading five impactful initiatives: Female Recruitment Campaign, Women in Leadership Fast-Track, Mentoring, Women’s Visibility, and Return to Work. Our commitment has extended to include structural changes, as we revamped our recruitment policy and introduced a talent acquisition playbook to attract the most diverse, equitable, and inclusive talent.

We also elevated the visibility and profiles of female leaders across the business through strategic leaders across the business through strategic spotlights, reinforcing our commitment to fostering a workplace that celebrates and advances gender diversity.

Globally our gender balance is 39:61 female to male and 23:77 in senior management roles. We are making good progress to achieve our target of 30% females in senior leadership roles by 2026 and 40% by 2030.

APPLAUSE

Another way to say ‘Thank you’

Our personal recognition programme is designed to celebrate and acknowledge the exceptional contributions of our team members. Through a combination of personalised awards, public appreciation, and ongoing recognition, we aim to encourage a culture of empowerment and gratitude, ensuring every individual feels valued for their unique impact on our organisation.

This year employees were encouraged to recognise colleagues by sending ‘applause awards’ through Success Factors; over 2,500 employees received applause.

APPRECIATION WEEK

A big thank you for all

During one week every single employee at Coats across the world was appreciated for their hard work. From special events, personalised gestures, and heartfelt acknowledgements, managers celebrated the unique contribution of each employee, fostering a sense of belonging and recognition of the vital role they play in our shared success.

ENERGY 4 PERFORMANCE

Caring for the wellbeing of our people

Our E4P programme is centred around the four energy zones: Physical, Mental, Social and Emotional to help everyone perform better at home and in the workplace. At Coats we demonstrate, inform and support our people on their journey to sustainable wellbeing. This framework is our north star of well-being which allows countries to tailor their programmes based on the local needs with E4P as the flagship. In 2023 we introduced more than 150 programmes in Coats countries from Yoga lessons to mental health trainings and football matches, making sure wellbeing employees remains a priority.

‘COATS CARES’

Making a difference and giving back to the world

Celebrating the incredible impact of our team members who go above and beyond, we recognise and reward those who proactively enhance the world through their thoughtful initiatives.

For years, Coats has been making a positive impact by supporting charities and communities. ‘Coats Cares’ is our way to carry forward this tradition and give back even more to the world.

We received over 100 entries this year for our annual ‘Coats Cares’ competition, which celebrates our unsung heroes and employees that commit their time and efforts to improving the lives of others.

Case Study
Coats provides aid to Turkey earthquake victims

COATS CARES

MAKING AN IMPACT IN TIMES OF NEED

> “We are proud to have been able to support the communities affected by this disaster and are humbled by the dedication and bravery of our Rapid Response Team. We know that the road to recovery will be long, but we are committed to doing everything we can to help those affected to rebuild their lives.”
>
> Erhan Aras,
> Managing Director Turkey

Case Study
Coats provides aid to Turkey earthquake victims

COATS RAPID RESPONSE TEAM ON THE GROUND

Supporting things that matter

As a responsible corporate citizen, Coats understands the importance of providing aid and support to those affected by disasters. Coats' Rapid Response Team from Bursa, Turkey, arrived at the disaster zone in south-eastern Turkey on Day 2 after the devastating earthquakes, providing much-needed aid and support.

The expert team, equipped with high technology such as audio listening devices, rescue cameras, stone and iron cutters, large drill bits, and generators, worked tirelessly for a week to assist those in need. They engaged in rescue operations and worked with local NGOs for coordinated help. The Rapid Response Team comprised 11 experienced employees from our Bursa facility who received extensive training in emergency response, making them well-equipped to handle the challenges of working in a disaster zone. Coats provided tents, blankets, clothing, and food to those affected by the earthquakes.

Coats also appealed to all employees globally to help raise funds after formally donating to local NGOs active in the region. Based on our five Company Values and the essence of our Corporate Social Responsibility (CSR) programme 'Coats Cares', the quick action taken by global and local teams boosted morale and strengthened community ties, creating long-term value.

A personal view

"As a trained team leader in fire and earthquake rescue, I immediately proposed a Rapid Response Team. With support from top management, we received special authorisation from government officials to enter the disaster zone just within six hours. Despite having dozens of volunteers, we embarked on the mission with 11 team members due to legal constraints. We successfully performed high-risk operations on the ground, such as crane lifting, digging, and metal cutting. Additionally, we aided search activities using thermal imaging and ultrasonic sound detectors. It was a week filled with pride as we shared the pain of the earthquake victims and touched their hearts.

One particular moment stands out when we rescued two people after working for 203 hours in a building. It was a remarkable display of hope."

Lutfi Kaya,
Engineering Manager Turkey

Strategy

Accelerate profitable sales growth by leveraging innovation, sustainability, digital technologies and our global scale to create world class products and services, delivering value to our stakeholders.

ACCELERATE PROFITABLE SALES GROWTH

Apparel

Increase our market share by delivering sustainable, innovative and value-added products and service solutions to our global customer base. Our unique ability to deliver sustainable products at the scale, speed and quality required by our customers positions us strongly in the market place.

Footwear

Focus on sustainability-led innovations to improve product offerings to key brands and manufacturers, and leverage our newly created scale to drive efficiencies, share gains, and commercial synergies.

Performance Materials

Lead with innovative and sustainable developments in highly engineered products, creating solutions for attractive and growing markets.

Apparel progress in 2023

- Continued to grow Recycled sales, to $172 million in 2023 ($127 million in 2022)
- Consecutive year of c.200bp market share growth
- Defending price despite raw material deflation

Footwear progress in 2023

- Capitalised on commercial synergies resulting from our acquisitions
- Further market share growth of c.200bps
- Attained 'preferred partner' status with cross selling opportunities delivered to brands
- Leveraged scale to drive integration synergies of $19 million to date (annualised)

Performance Materials progress in 2023

- Commissioned two new units in Mexico
- Moved a significant portion of our manufacturing capacity from US to Mexico
- Launched innovative new products in Personal Protection and Composites sub-segments

TRANSFORM THE BUSINESS

Strategic projects

Over the last two years, Coats has undertaken a number of strategic projects to improve margins by optimising the portfolio and footprint, improving the overall cost base efficiency and mitigating the structural labour availability issues in the US. These transformational initiatives have been successfully delivered and have realised accelerated benefits of $57 million over 2022 and 2023. A further $13 million of benefits will be delivered in 2024.

Progress in 2023

- Substantial savings of $37 million in 2023 (bring total benefits delivered to $57 million)
- Delivered for significantly lower cash cost than originally expected
- New factory commissioned in Toluca, Mexico to enable further growth in the Americas
- Divested our zips business in EMEA and outsourced our zips business in China
- Divested business in Mauritius and Madagascar
- Actions taken in China further enhance our sustainability leadership and market reach with domestic sales +30%
- In India, focus on organisational simplification, enhanced footprint and consolidation

CAPITAL ALLOCATION

Our capital allocation policy remains unchanged and focusses on four key pillars

i. reinvesting in organic growth

ii. acquisitions in line with disciplined strategy

iii. supporting pensions

iv. paying a progressive dividend

Progress in 2023

- Continue to invest in organic growth
- Full year dividend growth of 15%
- 'Off trigger' activated for UK pension scheme, resulting in £2 million per month cash savings in 2024

Strategy cont.

OUR STRATEGIC ENABLERS

Our purpose provides the basis for our strategy whereby we will accelerate profitable sales growth and transform the business to improve margins and create sustainable value for our shareholders, customers, employees and the communities in which we operate. Our strategic goals are underpinned by the following enablers:

SUSTAINABILITY

Sustainability is a core part of our wider business strategy and an imperative to our mid- and long-term business success. Playing our part in mitigating climate change is core to our strategy, with commitments made to reduce carbon emissions in line with science-based targets and underpinned by energy transition to renewables and substitution of materials to non-Virgin oil based resources.

CASE STUDY
100% RECYCLED ECOVERDE

Coats EcoVerde is an innovative 100% recycled alternative to virgin polyester that provides a responsible solution to help reduce the global plastic pollution problem. Since 2018, we have recycled 1,488 million PET bottles to make EcoVerde.

INNOVATION

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

We continue to accelerate our innovation credentials and solutions to deliver tailored solutions to customer design requirements.

DIGITAL

Our investment in technology infrastructure and digital tools has allowed us to flex our supply chain, react to situations with speed and ensure we are focussed on customer, shareholder and employee value creation.

CASE STUDY
COATS FLAMEPRO™ HIGH VISIBILITY

In today's fast-paced industries where hazards such as trucks, trolleys and machinery pose a threat, it is essential that workers remain highly visible by wearing the right protective clothing.

Coats FlamePro™ High Visibility available in Yellow and Orange colour, is an inherently flame resistant and high-visibility certified fibre fabric that is one of the lightest fabrics of its kind.

With industries demanding better quality high-visibility garments, we set to work on a more sustainable, easy to work with fabric. FlamePro™ High Visibility includes renewable fibres and needs no dyeing – which makes it more sustainable than any other comparable product on the market.

"FlamePro Hi Vis is a great example of what is coming from our teams in the Innovation Hubs. We develop a product our customers will manufacture using our yarns as their raw materials, allowing our customers to grow their business. This is a unique proposition by Coats and significantly differentiates us from our competitors."

Richard Ridewood,
Managing Director, Performance Materials

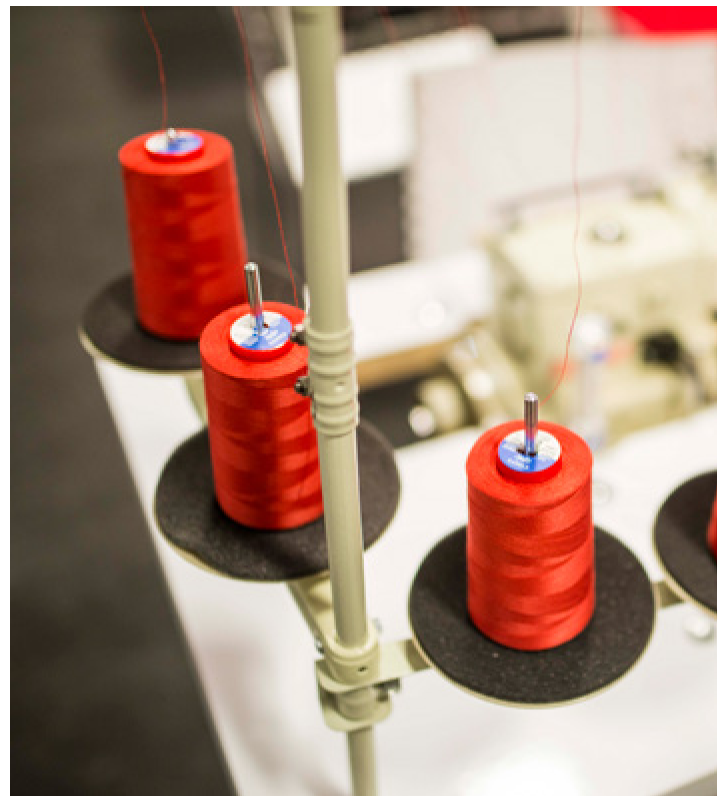
Business model

HOW WE CREATE VALUE FOR OUR CUSTOMERS

Our purpose of connecting talent, textiles and technology to make a better and more sustainable world drives how we operate and create long-term value.

SPEED

Speed to market is critical in an industry where lead times are short and getting ever tighter. Owing to our agile supply chain and customer-centric operational footprint, we provide customers and brands with the flexibility they need to stay relevant in a fast-moving world.



PRODUCTIVITY

We employ the latest in Lean Six Sigma and other improvement methodologies to ensure a continuous cycle of improvement and delivery of operational excellence.

This enables us to reduce costs, helping to offset inflation whilst maintaining excellent customer service.

AN EXCELLENT CUSTOMER PROPOSITION AND OUR MARKET-LEADING POSITION CREATES VALUE FOR OUR CUSTOMERS, GIVING COATS A COMPETITIVE ADVANTAGE

INNOVATION

We have a longstanding culture of innovation. Our Innovation Hubs are spaces to collaborate with customers, in which we develop new solutions to solve their problems and improve their finished products. Our innovation capabilities have been further enhanced with the opening of our brand new sustainability hub in Madurai, India.

QUALITY

We manufacture to high ethical, labour and environmental standards whilst delivering consistent colour and exceptional product quality. Our products are tested and measured against globally consistent, stringent safety standards.

RELIABILITY

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

SUSTAINABILITY

A key element of our purpose is to create a better and more sustainable world. It is not just what we produce, but how we produce it. Coats has been a leader in setting sustainability strategy within the industry since we launched 'Pioneering a Sustainable Future' in 2019. We also gain competitive advantage by helping customers to improve their own supply chain sustainability credentials. In 2022 we advanced our ambitions, acknowledging the impact that our industry has on the environment, and our part in taking responsibility for this. We have set very ambitious sustainability targets across energy, materials, water, waste and people. These complement our market differentiating EcoVerde product range. See our **Sustainability Report** for details.

Business model cont.

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

EMPLOYEES

We are a proud employer of >15,0000, highly engaged, committed and diverse permanent workforce. Whilst driving a high-performance, solution-focussed culture, we are committed to the health, safety, rights and well-being of our employees. We champion diversity and inclusion across the Group. This is reflected in our GPTW® certification.

>15,000 PERMANENT EMPLOYEES GLOBALLY

CUSTOMERS

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.

>30,000 GLOBAL CUSTOMERS

SUPPLIERS

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

$0.8 BILLION DOLLARS PAID TO SUPPLIERS

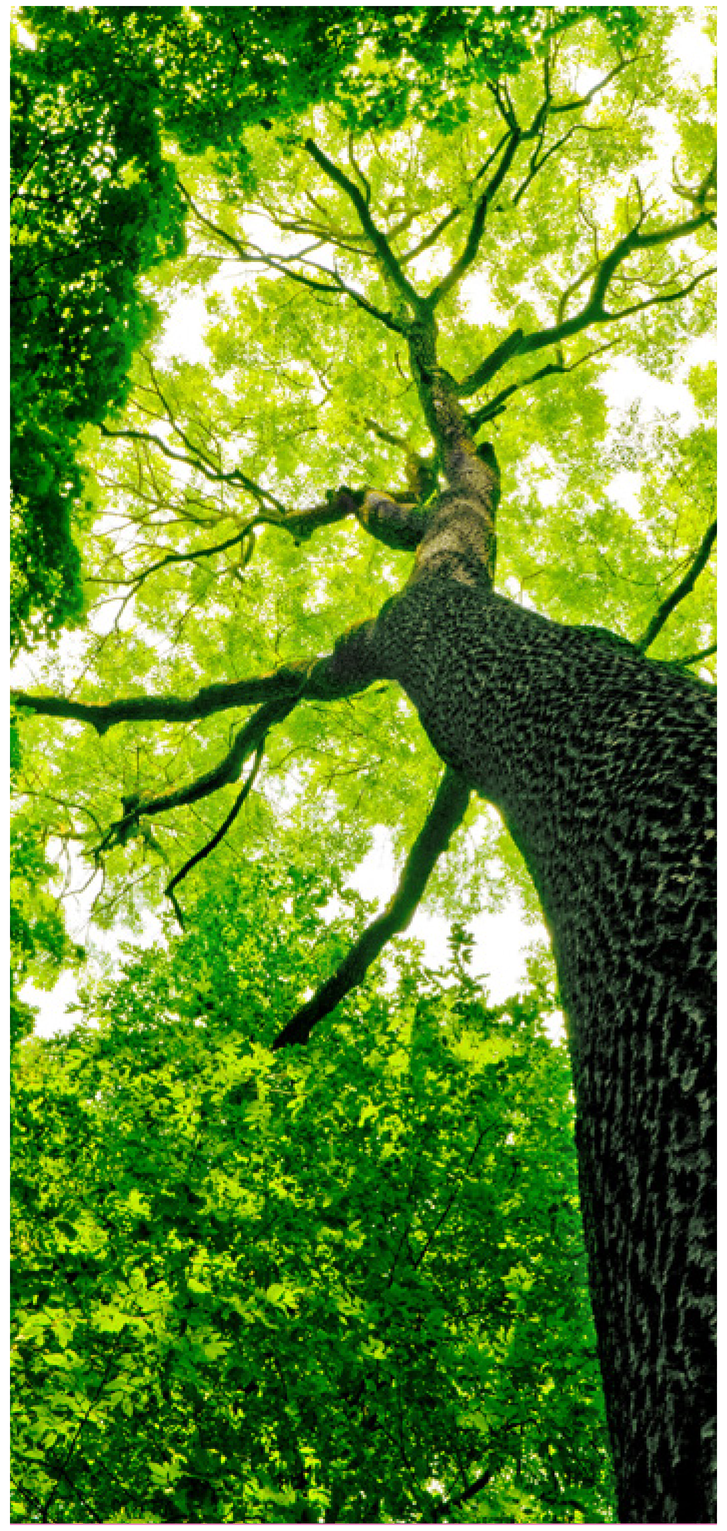
INVESTORS

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

2.80c TOTAL DIVIDEND FOR 2023

ENVIRONMENT

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



COMMUNITIES

Coats is committed to being a good corporate citizen and an active member of the local communities in which it operate. In our journey towards fostering a culture of care, we introduced the ‘Coats Cares’ Programme which is designed to shine a light on the incredible CSR efforts of our colleagues on both a global and local scale.

11,000+ EMPLOYEES ENGAGED

A high turn out of employees attending and participating in volunteering initiatives.

Market trends

TREND 1

MACROECONOMIC CONDITIONS

Geo-political uncertainty remained one of our top risks in 2023. Owing to our global footprint, we were subject to the impact of many macroeconomic factors. Rising cost of living for consumers, stubbornly high inflation rates and increased borrowing costs were prevalent and dictated the end consumer's spending power. Despite these ongoing headwinds, consumer demand for our products in the garment and footwear sectors remained resilient during the year across all regions.

Our response this year

We continued to focus on delivering value for our customers and end-customers, dealing successfully with macroeconomic challenges via our agile supply chain and global operational footprint. Concentrating on the premium end of the market, we are best able to price according to our differentiation through consistency and quality while winning share from competitors through our superior focus on innovation and market-leading sustainability. This is further evidence of our strategic positioning, which enables us to outperform the market in adverse conditions and grow faster than the market when volumes recover.

TREND 2

DESTOCKING

2023 saw industry-wide destocking, where brands and tier one manufacturers corrected for higher than normal inventory levels coming out of the Covid period. This followed a demand surge during H2 2021 and H1 2022 when significant supply chain uncertainty existed, and manufacturers and brands increased buffer stock levels significantly. The subsequent destocking from mid-2022 primarily impacted the Apparel and Footwear divisions, with some specific destocking activities in sub-segments in Performance Materials. We saw this trend easing towards the end of 2023 in Apparel.

Our response this year

Coats has taken proactive measures to cope with low demand in the supply chain and continued to deliver significant benefits from strategic projects which, together with agile and effective pricing, and the delivery of synergies from our 2022 footwear acquisitions, have resulted in further strengthening of adjusted operating margins. We outperformed our competitors by focussing on Speed, Productivity, Innovation, Quality, Reliability, Sustainability and the high-end market segment, we are now well-positioned to successfully navigate economic headwinds, and to serve customers profitably as demand levels recover. Prioritising cash generation and controlling inventory has led to high levels of free cash flow and a stronger balance sheet.

TREND 3

SUSTAINABILITY

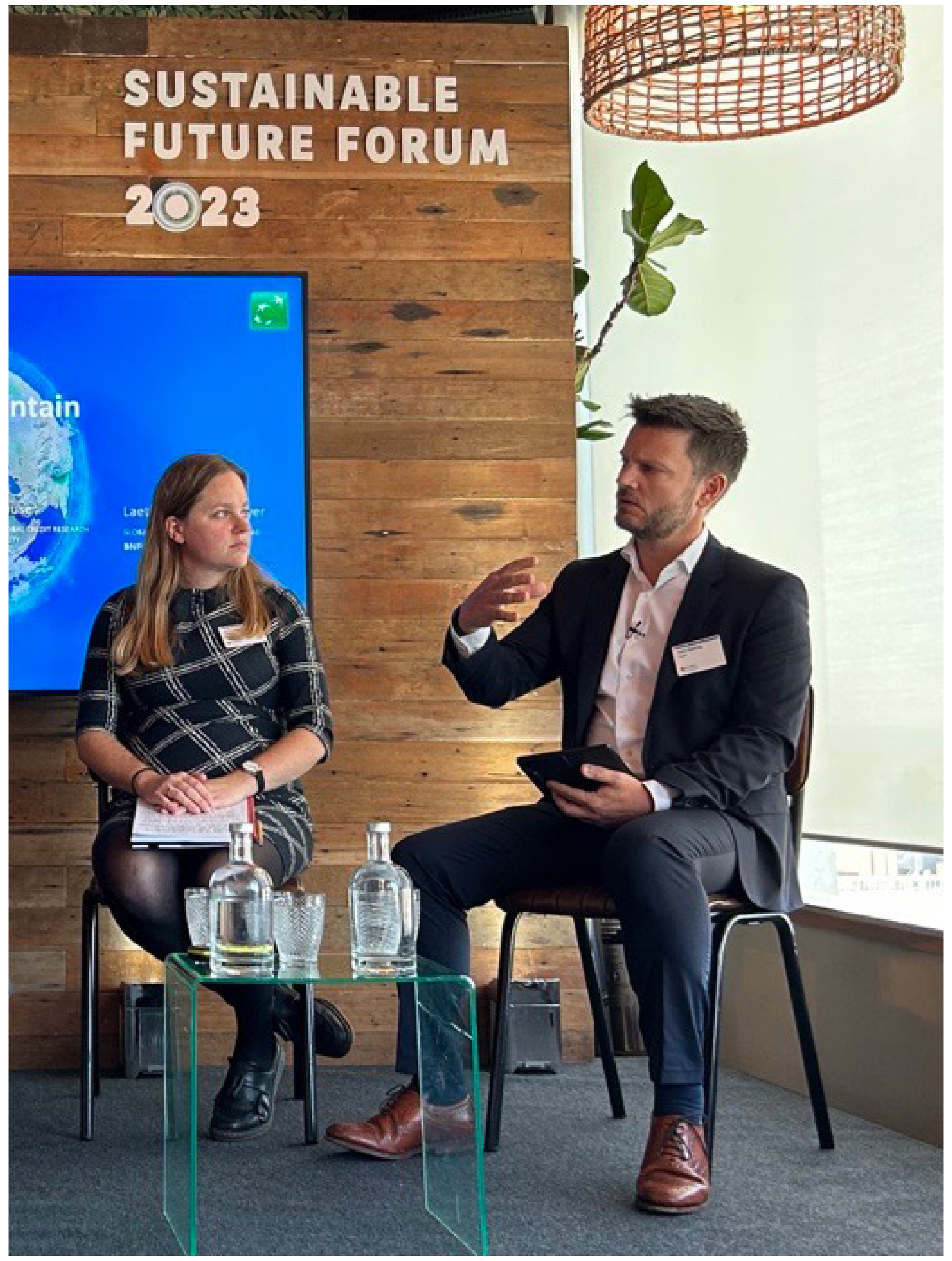
Sustainability continues to increase in importance across the industries we serve, driven by consumer pressures, customer strategies and legislative changes. COP28 delivered further global progress across the environmental agenda. This continued shift in sentiment and behaviours is manifested in areas such as materials innovation, energy renewables, water management, waste reduction and social justice and compliance. Many of our customers are developing partner programmes that put sustainability at the heart of ongoing collaboration. Our expectation is that this trend is irreversible and will only increase in importance over time.

Our response this year

We have continued to advance our sustainability journey in 2023 with positive progress made on our ambitious targets to deliver reductions in Scope 1 & 2 emissions – primarily achieved through a step change in electricity derived from certified renewable sources. Collaborating with our supply chain partners ,we have advanced our transition to sustainable raw materials and delivered higher levels of circularity as a means of driving waste prevention and reduction. We have also made considerable progress on reducing waste to landfill as part of our 2026 zero waste to landfill target. Increased water recycling on sites has also taken us closer to our 2026 water recycling rate targets.

> In a year when the world battled the impact of inflation and cost of living challenges, it was important that Coats continued to deliver value."

Rajiv Sharma,
Group CEO



Market trends cont.

TREND 4

GROWTH OF ASIAN DOMESTIC MARKETS AND ASIA BRANDS

Domestic consumer demand in Asia is significant and expected to grow faster than US and European markets. Asia will continue to enjoy growth due to favourable demographics and as consumer wealth expand. Production and sourcing will remain in Asia in our markets, driving accelerated demand for our products and services.

This is reflected in the growth of domestic fashion (apparel and footwear) retail across the key Asia geographies. Performance Materials markets will likewise benefit from infrastructure, transportation, and industrial protection expansion.

Our response this year

Asian domestic markets continue to provide attractive growth opportunities for Coats, and we are delighted to have delivered sustained sales growth with Apparel brands and retailers in China, Japan, South Korea and India, increasing our confidence that we will benefit from the accelerated economic growth in these key markets. Further, we are expanding our Footwear operations in Indonesia to serve the growing demand for our products there. Customers have responded positively to the value we deliver in product, technical application and sustainability, allowing us to build market share and brand loyalty. Market development continues to provide profitable opportunities in Footwear and Performance Materials, most notably in the automotive sector during 2023.

TREND 5

AI AND EMERGING DIGITAL TECHNOLOGIES

Industry adoption of generative artificial intelligence (Gen AI) and emerging digital technologies has continued to accelerate during 2023 as companies look to drive faster speeds, increased productivity, lower waste and end-to-end supply and materials transparency. We have continued to embed our ongoing investments in technology and commenced the further use of digital and Gen AI solutions to improve our supply chain and support functions, while remaining as vigilant as ever of cyber security threats.

Digital technology across the industry is not limited to pure software solutions; as the industry becomes more and more responsive to sustainability-led innovations, we are seeing increased demand for solutions that use technology to simultaneously reduce waste and increase productivity.

Our response this year

Coats Digital, our Fashion Tech business, enables fashion brands, sourcing companies and manufacturers to optimise, connect and accelerate business critical processes seamlessly, including: design and development; method-time-cost optimisation; production planning and control; fabric optimisation and shop floor execution. In 2023 bookings saw high double-digit growth ahead of reported sales growth, indicating confidence for continued future growth.

In our Footwear division we acquired, as part of the Rhenoflex acquisition, the proprietary ‘Rhenoprint’ 3D printing IP, which offers leading brands a zero waste, print-to-order solution with enhanced footwear performance.

In Apparel, through investing in emerging technologies and Gen AI, we are digitising the way we engage with customers; a trend that we will continue to accelerate in 2024. We continue to develop and enhance our customer-facing software and proprietary applications to better use these digital and Gen AI technologies to serve our brands and our customers, thereby supporting their need for increased speed and supply chain agility.

> “Despite challenging global conditions, demand in the Asian domestic markets remains resilient and rich in opportunities for sustainable growth.”

Adrian Elliott,
CEO, Apparel Division

Case Study
Delivering on sustainability

A BIG STEP TOWARDS CARBON NEUTRALITY

As part of our ambitious sustainability strategy, Coats' new solar power plants in Bangladesh will accelerate our move towards renewable power and a cleaner, carbon neutral future.

Case Study
Delivering on sustainability

SOLAR POWERING BANGLADESH

This year, we switched on our new 50,000 sq ft rooftop solar power plant at our Gazipur factory, with construction of a second underway in Chattogram.

The Gazipur plant generates 850MWh of solar energy annually, reduces 12% of energy consumption from fuel-based sources, and saves 528 tons of CO_2 emissions – equivalent to planting up to 45,000 trees every year. During the day, 40% of the factory's power will come from renewable sources.

With energy powering our factories, it is vital that we utilise it properly, profitably and responsibly. Saving on energy consumption is one of the top priorities for Coats Bangladesh to establish its commitment towards our sustainability strategy.

National solutions, global impact

This solar power project completion reinforces our commitment to science-based sustainability targets for 2030 and beyond, with a goal of achieving the United Nations Global Compact and our aspiration to achieve Net-Zero emissions by 2050.

Over the last four years, we have made significant progress against our ambitious targets and emissions reduction throughout the value chain is central to the new targets the areas of Energy, Materials, Water, Waste, and People. It is just another example of Coats Bangladesh and its employees' commitment to exceed sustainability targets and contribute towards a cleaner world.

> "Coats Bangladesh remains committed to transitioning to renewable energy sources, aiming at 22% reduction in Scope 1&2 Emissions by 2026"

Mohammad Al Kashem,
Managing Director,
Bangladesh and Pakistan

Environmental benefits same as planting	CO_2 emissions cut by	Daytime power from renewable sources
450,000 trees a year	520 tns	40%

Apparel Division

Adrian Elliott

CEO, Apparel Division
Joined Coats in 1988

> “I am delighted that we have continued to gain share in a difficult market by providing value to our customers.”

Adrian Elliott
CEO, Apparel Division

$689m
Revenue

c.200bps
Market Share Gains

What does Apparel Division do?

We are the global market leader in the supply of sewing thread and an innovative partner to the apparel industry. Sewing thread is a critical component in the apparel manufacturing process and is also critical for the quality and performance of the finished garment. We are the leading thread and technical advisory partner to global apparel brands and a partner of choice across garment categories such as denim, athleisure, sportswear, outerwear, intimates, dress, casual and workwear. Our global manufacturing presence means we are able to be flexible and agile, with our operations often located close to our customers. We have a strong reputation for delivering quality threads, consistent colour-matched to customer specification with speed and reliability. Our fashion tech digital business supplies software solutions enabling speed, productivity and transparency for our customers’ operations.

2023 Summary

By focusing on customer satisfaction during a period of widespread industry destocking during 2023, the Apparel Division grew its market share by around 200bps from 23% to 25% and increased its adjusted EBIT margin 150bps to 17.5%. The range and quality of our products, our global presence with a focus on key industry centres, customer partnering, and leadership in sustainability differentiates us from our competitors, allowing us to win new programmes and increase our share of the customer’s wallet.

During the year, we sold our European Zips business. This was in line with the strategy of optimising the Company’s portfolio with a focus on providing premium product in markets where we have a leading position.

Market conditions and competitor landscape

It was a year of significant challenge across retail segments. Brands focussed on reducing their inventory levels, following a period of significant supply chain disruption. This resulted in significantly lower volumes across all geographies, especially in the first half of the year. However, consumer demand held up well across key retail markets in North America and Europe.

There were also areas of relative strength: Asian domestic markets performed well and the industry trend to ‘near-shoring’ of supply benefited parts of the EMEA region. Our partnership with winning brands and manufacturers underpinned our outperformance in the year.

Building a better business

Our Indian business continued to modernise and consolidate its distribution network, opening new, state-of-the-art distribution facilities, designed to enable future automation; we are well positioned to benefit from India’s accelerated growth.

In February, we opened our European Logistics Centre in Romania, consolidating our operations in Hungary and Poland as well as Romania to serve over 5,000 direct customers across Europe.

Coats Digital, our fashion tech arm and key adjacency to our core business, increased order bookings by 75% and on-boarded over 30 new customers in 2023.

In another technology landmark, ShopCoats, which helps customers manage their orders digitally, exceeded $1 billion of customer orders during the year since inception.

Apparel Division cont.

People

Our success rests on the commitment, contribution and expertise of all the employees who work in our units across the world. Being recognised as one of the Best Multinational Workplaces in Asia is a testament to our people, management and culture.

Communities

At Coats, sustainability is at the heart of our mission. The DNA of the company is in doing the right thing, being sustainable and making sure that we have a positive overall impact on society. This year, we were involved in various social initiatives across different countries. These included clothes distribution to needy people in Bangladesh, supporting education for underprivileged children in Sri Lanka and Bangladesh and blood donation camps in Vietnam. We also provided industrial sewing training to hundreds of women in India to help them achieve a brighter future.

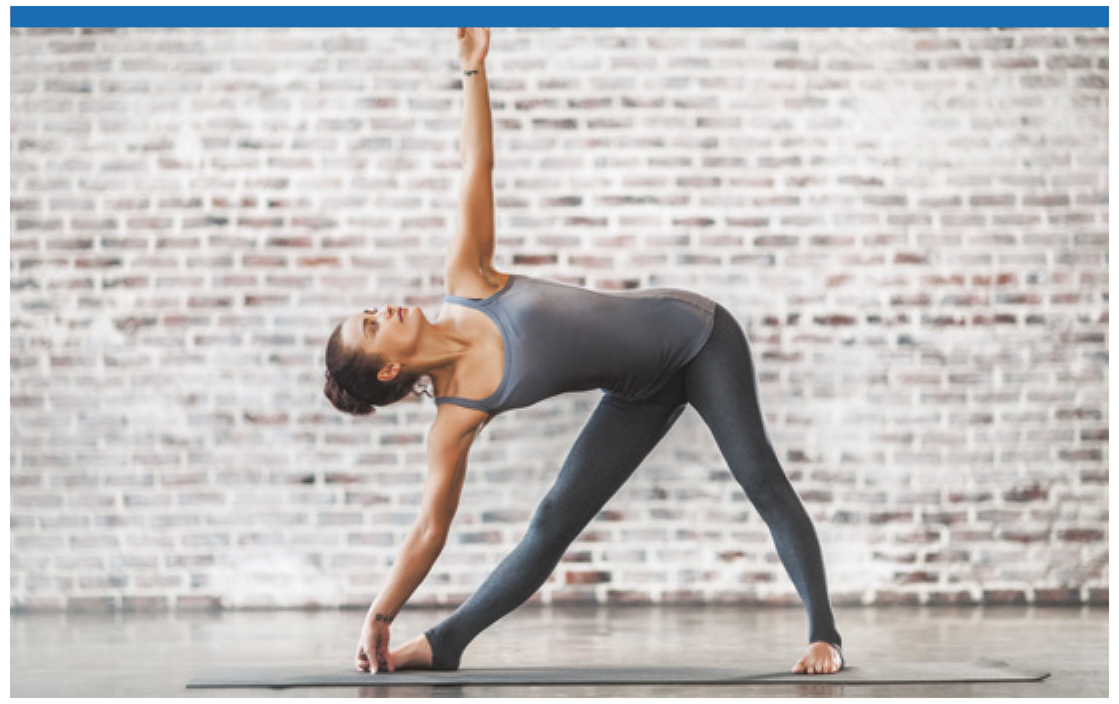
Sustainability

In 2023, we also inaugurated our Sustainability Hub in Madurai, India. Together with the Sustainability Innovation Hub in Shenzhen, China, we are embarking on a transformative sustainable product offering to help brands and retailers fulfil their sustainability goals. This will help pave the way to Net-Zero.

We recognise that the future of the apparel industry must be built upon the principles of circularity and eco-consciousness. We actively support customers' sustainability journeys with eco-friendly solutions, while pioneering the development of next generation sewing threads crafted from circular materials. We are proud to announce that our recent sustainable sewing thread offerings – Eco Regen, Eco Cycle, and Tre Cerchi Vero – have all been awarded the prestigious PLATINUM certificate – the highest rated Material Health Certificate from the Cradle-to-Cradle Institute. This recognition is evidence of our commitment to producing materials that are not only environmentally friendly but also safe for consumers.

Innovation

Coats has consistently demonstrated its commitment to innovation, and our latest success story, the Hi-P high bulk sewing thread, exemplifies our dedication. What sets Hi-P apart is its ability to provide consumers with soft, durable seams while maintaining production efficiency – a crucial balance in the apparel industry. It has effectively created a new market in athleisure and innerwear, where maximum consumer comfort is of paramount importance.



However, as a result of our investment in innovation we are also introducing sustainable variants of our products, that position us to gain further market share.

2023 Results

Revenue of $689 million (2022: $818 million) was down 12% on a CER basis (16% reported). As anticipated, revenue was lower year-on-year, against a very strong prior year comparator, and reflected the continuation of widespread industry destocking, after a surge of post-COVID inventory restocking in H1 2022, as well as buffer-buying due to supply chain disruption. We have seen improving trends through the year as it is clear the destocking period is largely over, as customer inventory levels normalise, with early but encouraging order trends now evident.

Despite challenging market conditions, the Apparel business benefited from market share gains, with an increase in our estimated market share by c.200bps to c.25%. We were also able to maintain pricing, and 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.

Our proactive procurement strategy has put us in a good position to benefit from raw material price moderation. The focus on material transition to recycled products has helped to scale our recycled product offering and minimise cost premiums associated with these products. This, alongside our agile supply chain network, has enabled us to help our customers and brands achieve their sustainability goals, helping us take market share and maintain prices.

With market conditions expected to continue to gradually improve, our strong market position, global presence, differentiation and focus on leading brands provide further opportunities for growth and market share gains.

Adjusted EBIT of $120 million (2022: $130 million) decreased 4% vs the prior year on a CER basis, significantly less than the overall revenue decline. The adjusted EBIT margin was 150bps higher at 17.5% on a CER basis (2022: 16.0%), already slightly ahead of our 2024 margin target. Savings from our self-help actions, including strategic projects, and procurement benefits more than offset the adverse impact from lower sales volumes.

Case Study
Engines of sustainable growth: China and India domestic markets

CHINA

By understanding and capitalising on fast-changing market dynamics, Coats delivered 2023 growth of 30% in China's large and exciting domestic apparel sector. Over 40% of garments are now purchased online in China.

This changes the way in which the industry creates, makes and sells product, and drives the need for supplier speed, agility and innovative customer services. Dynamics that play to Coats' commercial, operational and supply chain strengths.

By innovating in the ways we create dye to match samples, in the generation of recipes and operational process flows, and linked to strategic customer collaboration, we have pushed further ahead of competition. Innovation has also inspired our application of digital technologies to speed customer deliveries and improve communication flows. Investments in flexible machinery and working patterns have further underpinned our growth agenda.

"We are proud of, and remain fully committed to, our profitable sales growth in the fast-evolving China domestic market."

Jamie Brown,
Managing Director, Coats China

Case Study
Engines of sustainable growth: China and India domestic markets

INDIA

India's vibrant retail market continued its post-pandemic renaissance in 2023, opening exciting opportunities for the apparel, footwear and consumer product industries.

Our strategic focus on growing in the attractive sectors of the domestic market continued to pay dividends across our Divisions, allowing us to enrich our share and margins through targeted initiatives in customer engagement, product innovation and price strategies.

In the Apparel Division, growth was secured through innovative product and service enhancements. We increased the penetration of premium products and successfully launched new products to capture untapped markets in tailoring. In the ready-made garment sector, we conducted over 300 customer technical clinics to secure market share gains.

In Footwear, effective cross-selling of threads and Texon components secured over 30 new business wins. Additionally, Transportation sales led Performance Materials sales in safety-critical applications.

The outlook for continued growth in the India domestic economy remains robust, with Coats poised to accelerate its profitable and sustainable growth.

> "As India's domestic and export markets continue to evolve, we are confident that our strategic focus across the three divisions will help us grow by leveraging our current strengths and building upon new ones."

Rajesh Lakhanpal,
Managing Director, India

Footwear Division

Frederic Veragué

CEO, Footwear Division
Joined Coats in 2001

"We have created a global market leader in footwear thread and structural components, putting us in a strong position when the market starts to recover."

Frederic Veragué,
CEO, Footwear Division

$368m
Revenue

14
New Products Launched

What does this Division do?

The Footwear Division is the combination of Coats' existing footwear thread business and the complementary 2022 acquisitions of Texon and Rhenoflex, which primarily manufacture structural components for footwear markets. We are the global market leader in thread and structural components, offering a unique value proposition. We provide the widest range of thread and component products and have a global footprint, with locations close to our customers. We are also market leaders in sustainability and innovation. Our operations are led and managed by experienced management, who have come together from three leading organisations, to become one Coats team.

2023 Summary

The industry reached peak inventory levels in the fourth quarter of 2022, leading to a widespread reduction in footwear production during 2023, as brands sought to reduce their excess inventory to normalised levels. Against this challenging macro-environment, 2023 saw us increase our market share and continue to invest in sustainable innovation.

We are also pleased that just over one year on from the acquisitions of Texon and Rhenoflex, Coats Footwear is now one customer-facing organisation, with an integrated back office. We have over delivered against our initial synergy targets in 2023, which will provide a positive impact in 2024.

Market conditions/competitor landscape

Our integrated and expanded product portfolio has presented an opportunity to gain market share during a period of destocking. As we gradually expand our share of production for customers, this puts us in a very strong position, when the market starts to gradually recover. The competitive landscape is fragmented and there is no one in the market that has our footprint or scale in terms of production or product range.

During the year, we have been expanding our production footprint in Indonesia, attracting the attention from some key brands.

The sustainability of new footwear products continues to become increasingly important, and we are positioned to benefit as we leverage our leadership position.

Solutions that create value

We have introduced new products and technologies that meet environment sustainability criteria, as well as the needs of customers. This includes the launch of seven specialist soft-flowing materials for medical and orthopaedic applications. We also launched the high-profile ProWeave™ upper to enable the creation of a sustainable running shoe.

We have showcased our products in global customer events and fashion shows in Milan, Italy and Shenzhen, China. These activities add extra value for our customers, in that they support their marketing campaigns and publicise that the products they are purchasing are made from the best materials available.

We are exploring options for co-branding our products with customers, with discussions underway with global brands and Tier-1 suppliers.

Value proposition

The merger of three top Footwear thread and component suppliers, who are all driven by innovation, sustainability and global presence has created a very strong position in the market.

This has enabled faster development of new technologies, eco-friendly products and market advantage. We are able to offer a compelling product portfolio and innovation pipeline, with an unmatched sustainability profile.

In 2023, we launched our new products through a global go-to-market strategy, which would not have been possible prior to the combination of the three businesses. Leveraging our global production footprint, we are also planning to commence production of structural components in East Java, Indonesia by Q1 2024, in a new, efficient facility. Indonesia is a key country for global footwear production with production in-country expected to double in the medium term.

As a result of the business combination, we have brought together leading experts in the footwear industry across commercial, innovation and production disciplines. This combination of experience, industry knowledge and deep relationships position us to lead the market and support our customers' growth initiatives.

Footwear Division cont.

People

We believe that our people are at the heart of our success, and creating an environment where everyone feels valued and empowered is paramount. We have continued to bring together almost 1,000 people and three company cultures, into one integrated organisation. Our transformation has been guided by our core values, with a commitment to fostering unity, inclusivity, and a sense of belonging.

We have tailored our approach to bringing these company cultures together, recognising the strengths and values of each. We have woven them into ‘One Coats’ by leveraging the best talent, maximising synergies, and focussing on one goal, which is ‘being stronger together for our customers’.’

As we move forward, we remain committed to nurturing a harmonious workplace culture that reflects our values. We are excited about the customer opportunities facing us and are dedicated to continuing to invest in our people.

Sustainability

Sustainability and innovation are strongly connected and are an important differentiator in the footwear industry. It’s not only to comply with the regulations, it’s taking responsibility for environment and our future and fostering the trust of our customers and consumers. That’s why we made sustainability and innovation leadership a central part of our strategy.

Our primary focus is on our product carbon footprint. We are continuously striving for the best solutions for our customers, enabling them to reach their sustainability goals and reduce their environmental impact.

We are also constantly looking for ways to reduce our footprint. We support and participate in all Group initiatives to reduce the consumption of materials, energy and water, as well as take care of our employees and our wider communities.

We are proud that our products and technology are supporting Coats’ sustainability goals. This year, some 46% of the raw materials we used within our products are sustainable, being either recycled, renewable or bio-based. As a Group we have targeted 100% sustainable raw materials usage by 2030. We are looking towards other bio-based and circular supply chain solutions to meet this target, while maintaining the high level of performance, quality and availability of our products, against a back-drop of medium-term growth.

We are also transitioning the energy we purchase away from fossil fuel based power generation to renewable energy.

Innovation

Our innovation project pipeline is focussed on consumer trends and providing cutting-edge solutions for customised solutions and volume production. We create innovative products and processes by utilising a highly experienced R&D team, with experts from specialist fields working closely together. In 2023, we launched more than ten new and re-engineered product families for reinforcement and sole applications. For example:

ECOSTROBE is made from 100% recycled PET and at the end of product life, it is a 100% recyclable product without loss of quality and therefore totally waste-free.

RHENOPRINT™ revolutionised the industry and is still state-of-the-art today. With Multizone™, a new generation of the Rhenoprint™ process was introduced last year. The Multizone concept is customisation at its best. Allowing reinforcements with designed flex zones to provide excellent shape and our highest wear comfort.

CYCLEA is a new circular upcycling process for leather scraps from the production process, enabling them to be recycled into new products. This is a first for the industry.

VERDE is a premium biodegradable upper-shoe material. It is made from sustainable and biobased cellulose feedstock for lifestyle applications.

2023 Results

Footwear benefited from market share gains, despite industry destocking. We increased our estimated market share by c.200bps to c.27% for threads and structural components combined. Customer pricing remained robust, even as some input costs began to moderate. We have been realising the benefits of the Texon and Rhenoflex acquisitions, with commercial opportunities being pursued. In challenging market conditions, our leading global position has allowed us to leverage the strength of our customer relationships and market leading product ranges.

Footwear revenue increased 24% to $368 million (2022: $300 million) on a CER basis (23% reported), including the Texon and Rhenoflex acquisitions, acquired in July and August 2022 respectively. Excluding the pre-acquisition contribution from Texon and Rhenoflex, organic revenue decreased 16%. Encouragingly, we believe the industry destocking cycle is largely complete, as customer inventory levels normalise, and we expect to see signs of a gradual volume recovery during 2024, although lagging the Apparel recovery.

We continued to deliver share gains and programme wins, reflecting our position as a trusted partner with our global accounts programme, in which we dedicate resources to key brands and retailers.

The athleisure, performance and sports markets within Footwear continue to be attractive. Supplier consolidation and nearshoring, including China de-risking, are becoming prominent trends, with brands also placing increasing emphasis on sustainability and innovation. With market conditions expected to gradually improve in the second half of 2024, these important, longer-term trends provide Footwear with further opportunities for growth and share gain.

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Value Creation

COATS FOOTWEAR

CREATING VALUE WITH TEXON AND RHENOFLEX

"We can see so many opportunities for Deckers to extend our collaboration since you are now one organisation."

Timberland

The back-to-back acquisitions of Texon and Rhenoflex in 2022 have created a global leader in structural components.

Case Study
Value Creation

SHAPING THE FUTURE OF FOOTWEAR

With a comprehensive product portfolio, deep customer relationships, unrivalled talent, sustainable innovation leadership and a global footprint, the Footwear division is well positioned to create stakeholder value.

By integrating the three businesses, we have delivered $19 million in annualised synergies this year through combining talent and procurement efficiencies.

We now have one customer-facing commercial team which has been welcomed by both brands and Tier 1 manufacturers. A single team allows us to deepen our already strong customer relationships as we now touch multiple parts of a shoe as well as offering more opportunities to provide sustainable and innovative solutions.

Our broad product range has created a number of opportunities for complementary offerings to our customers and this is progressing well, with our customers seeing the potential to simplify and optimise their supply chains.

Our procurement efficiencies come from a combination of consolidating spend across a range of raw material and indirect categories and leveraging the purchasing power of Coats to drive sustainable savings.

In Vietnam, we have established an integrated business that reflects our combined expertise in the footwear market across thread and structural components to deliver an enhanced customer experience.

> “Our brand customers have come to realise that Coats Footwear is greater than the historical sum of our parts. We have elevated our brand partnerships and are shaping the future of footwear with our ability to support from design to execution on a global scale.”

Bryan Whitfield,
Global Head of Sales, Footwear Division

$19m
Annualised synergies 2023

8%
Medium-term sales growth ambition

Performance Materials Division

Soundar Rajan

CEO, Performance Materials Division
Joined Coats in 1986

> We commissioned two new large manufacturing facilities in Mexico and modernised one existing unit to create flexible, cost-effective manufacturing capacities for Performance Yarns and Threads."

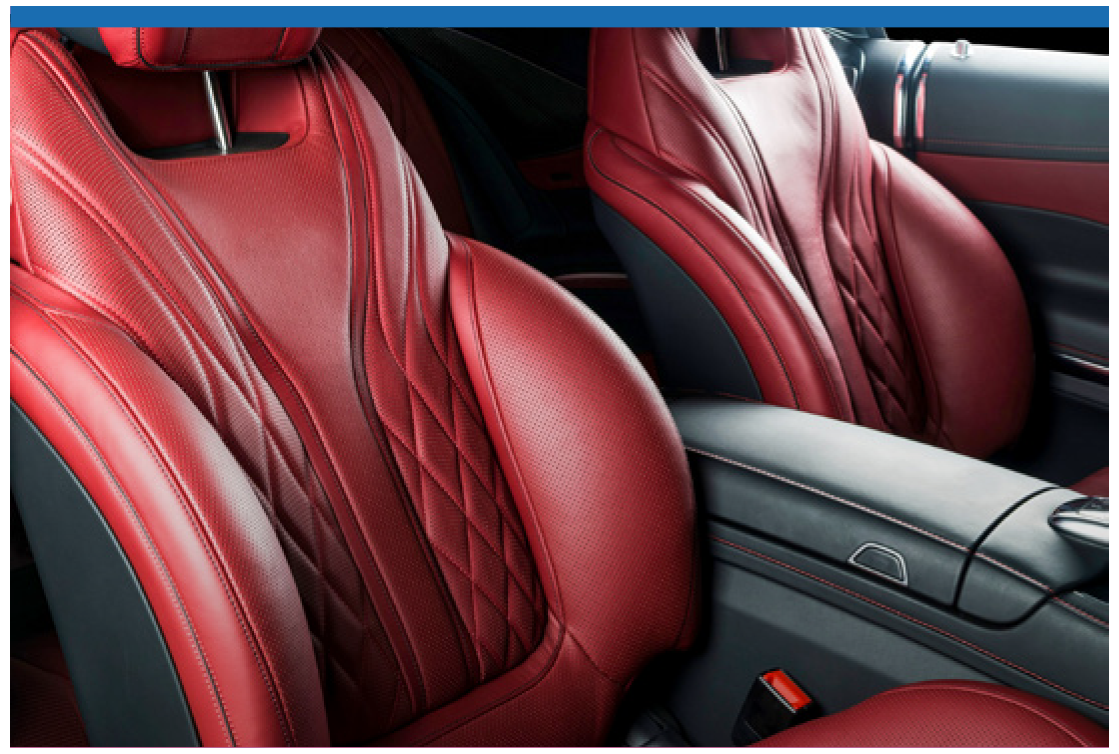
Soundar Rajan,
CEO, Performance Materials Division

What does the Performance Materials Division do?

We are global experts in the design and supply of highly engineered performance threads, yarns and lightweight composites which are used in a range of industries including, thermal and cut-protective wear, telecom, oil & gas infrastructure, automotive, household and recreational products.

2023 Summary

One fifth of the Division's revenue was generated from sales of products launched within the last five years and we continue to introduce new ranges of unique and innovative products in the Personal Protection and Composites subsegments to ensure that we enhance and retain our competitive advantage.



Market conditions/competitor landscape

Performance Materials continued to be impacted by the previously disclosed customer insourcing of production, as well as customer phasing issues in some US end-markets. As a result, organic revenue in Performance Materials in 2023 was 17% lower than 2022.

During the year, we relocated a large part of our North American manufacturing capacity to Mexico, mitigating structural labour availability issues in the US.

- The Personal Protection business adjusted its cost structure in light of lower volumes caused by the in-sourcing of yarns by a large customer, and customer phasing issues. With fewer government tenders for military and firefighting applications, an increase in tendering activity is now anticipated in early 2024.
- Destocking by US telecom companies and, consequently by the fibre optic cable manufacturers, resulted in weaker sales of textile composites. However, we anticipate a return to growth in 2024 with investments in fibre broadband in the US funded by the Infrastructure Bill, resumption of activity in 5G rollouts globally and data centre upgrades linked to AI computing.
- Demand for Performance Thread was mixed in 2023. Growth in light vehicle production and market share gains underpinned automotive thread volumes. Volumes from other end uses like feminine hygiene, medical and tea bags remained stable.

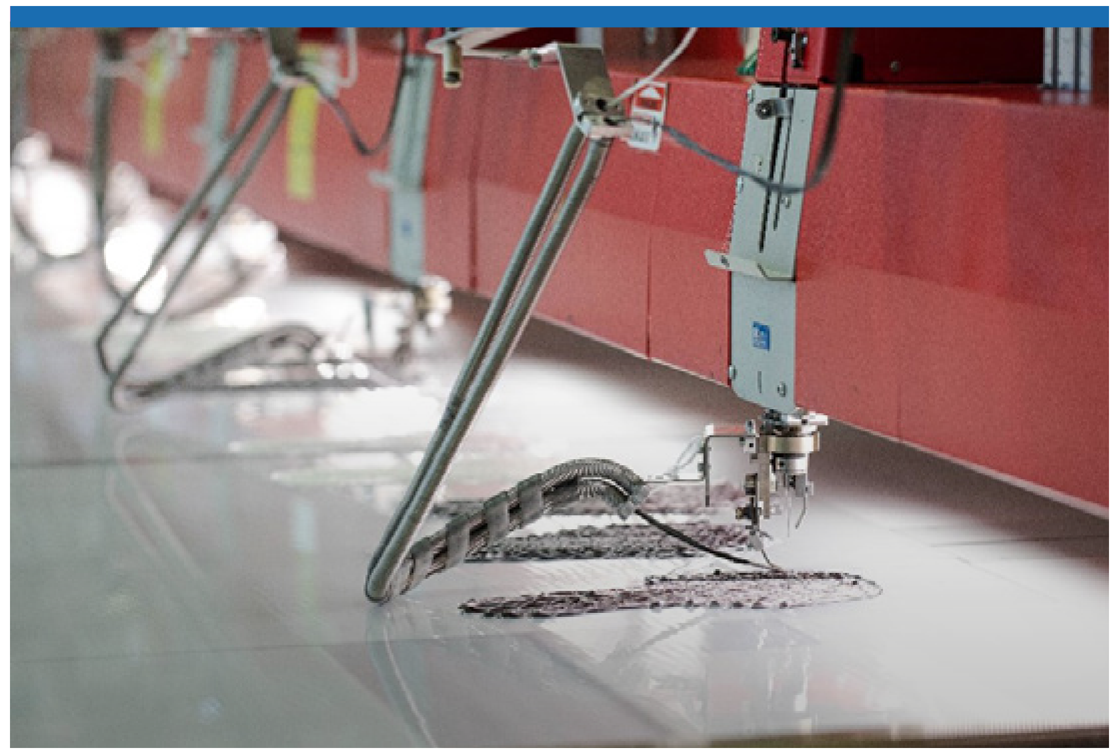
Added-value products and services

We achieved some significant milestones this year with the introduction of 6 groundbreaking products and solutions. In Personal Protection, we unveiled the FlamePro Arc Lightweight protective fabric, setting a new standard for safeguarding against electrical arc incidents, flash fires and related hazards.

$336m
Revenue

6
New Products Launched

Performance Materials Division cont.



Our innovations extended to the Personal Protection Trims segment, where we launched Signal Dark Grey sew-on retro-reflective tape, designed to withstand industrial washing while seamlessly blending with darker fabrics without compromising on reflectivity. In addition, we introduced Signal Lucence PRO in colours, featuring 25 captivating shades, elevating garment aesthetics while ensuring high visibility. This phosphorescent technology offers an added layer of protection, emitting a vivid glow for up to eight hours in low or no light conditions.

In the Automotive sector, our 100% Recycled EcoVerde Neophil received validation from key customers, reinforcing our position as an environmentally conscious industry leader. Meanwhile, in Composites, our game-changing Gral Binder SLS, a high-tenacity multi-filament polyester yarn with ultra-low shrinkage was a first in the Telecoms industry, surpassing expectations and enhancing productivity. These innovations collectively exemplify our commitment to delivering exceptional value to our customers and partners.

People

Performance Materials Division has achieved significant milestones in talent acquisition across its footprint. Our emphasis has been on strengthening our most prized asset: our human capital. Leveraging the talent within Coats and bringing in the required expertise externally have allowed us to improve our people capabilities.

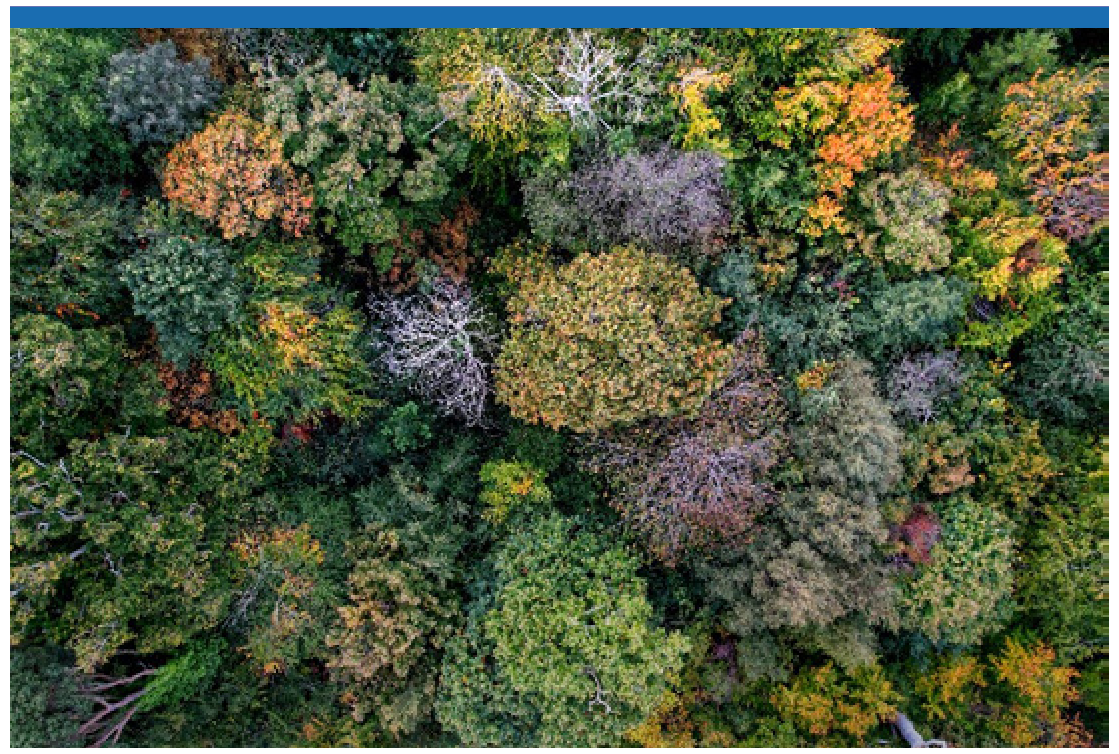
We introduced a 'People Calendar' to keep our employees engaged across all organisational levels. This calendar has proven invaluable to our workforce planning and management support efforts by offering a centralised view of employee schedules, holidays and significant events. While our calendar plays a vital role in fostering a work-life balance that contributes to employee morale and contentment, it also serves as a communication tool that enhances coordination and

collaboration among team members. Managers utilize this tool to schedule Town Hall meetings, training sessions and other collaborative activities, thereby promoting efficient teamwork.

The revamping of the manufacturing footprint in the Americas was done with the wholehearted support and cooperation of the employee community in the US. Our longstanding trusted relationship with the employee community was instrumental in achieving this transformation without any disruption to our manufacturing and customer deliveries.

Sustainability

Sustainability is at the forefront of our operations. This is underpinned through a comprehensive strategy centred around five key pillars: Energy, Materials, Water, Waste, and People. By relentlessly focussing on these pillars, we refined our dyeing processes' generating substantial reductions in water and energy consumption. Collaborating closely with our customers in Automotive, Household, Mattresses,



Teabag and Feminine Hygiene industries, we started the initiative to reduce our carbon footprint by prioritising the use of recycled materials e.g. our EcoVerde range and bio-based materials. An example of this collaborative effort is Neophil EcoVerde, a 100% recycled polyester sewing thread co-developed with industry-leading automotive partners. We championed a circular economy with our Coats EcoCycle threads, designed to dissolve in water, simplifying mattress disassembly. Working collaborative with the leading global tea brands, we launched fully biobased, non-genetically modified PLA teabag strings and Admiral Vero, an organic cotton-based feminine hygiene product. These initiatives represent our commitment to advancing sustainability at every opportunity.

Innovation

Our innovation journey was guided by our steadfast mission: to boldly pioneer high-quality, disruptive products that contribute to a better and more sustainable world. Recognising key market trends, we are aligning our efforts to meet industry demands head-on. In the automotive sector, we are committed to achieving carbon neutrality while safeguarding all critical safety parameters. For household, furniture, home textiles, outdoor, sports goods and filtration industries, our focus is on transitioning to recycled and natural materials, championing circularity. Addressing the personal protection sector, we are driven by the need for lighter yet more protective, comfortable, and stylish PPE. We have intensified efforts to integrate eco-friendly materials into our innovative solutions, reflecting our commitment to pushing the boundaries and driving positive change.

2023 Results

PM revenue declined 17% to $336 million in 2023 (2022: $420 million) on an organic and CER basis (20% on a reported basis), with Personal Protection decreasing by 25% on a CER basis, Composites decreasing by 21% (CER) and Performance Threads lower by 6% (CER). The largest factor driving the decrease was the insourcing of production by a large US customer in personal protection, which resulted in $30 million lower revenue compared to 2022. There was previously disclosed customer phasing issues in some US markets as well as destocking at some US telecommunication customers in Composites.

Case Study
Transforming the business

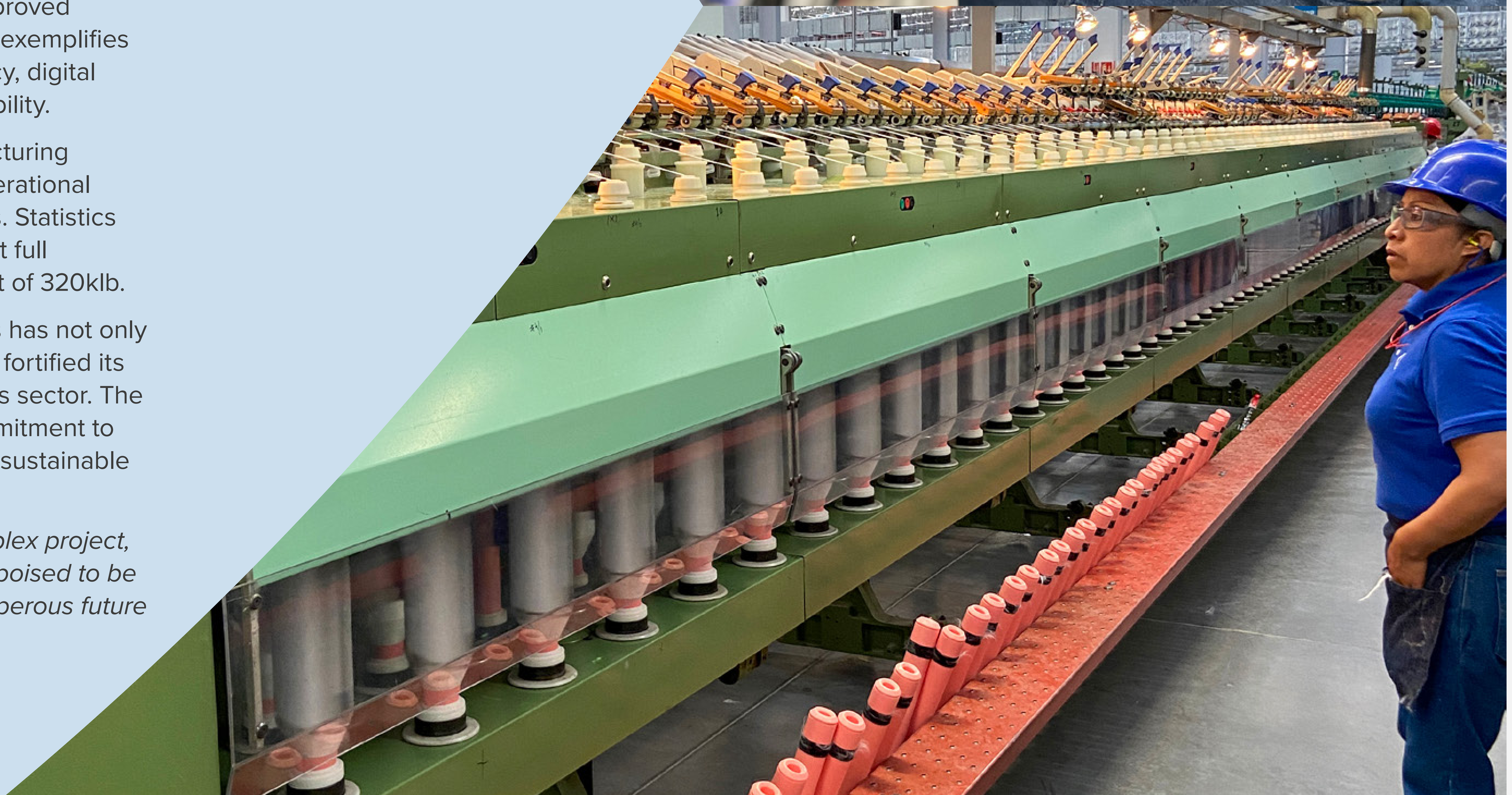
COATS MEXICO TOLUCA

"We are very proud to have built the largest factory in Coats, which includes 25,000m^2 manufacturing space and 5,000m^2 offices and warehouses."

Soundar Rajan,
CEO, Performance Materials Division

Case Study
Transforming the business

SET FOR THE FUTURE



Coats continued to transform Mexico operations in 2023.

Coats has a strong history and presence in Mexico, with key sites in Tlaxcala, Orizaba and Huamantla. Our strategic move to add a new spinning and twisting factory in Toluca is the peak of our Mexican transformation, culminating in a robust Performance Yarns unit.

The Toluca site is now Coats' largest Performance Materials spinning and twisting factory, boasting a 25,000m² manufacturing area and a 5,000m² offices/warehouse space. This facility is dedicated to manufacturing high performance yarns that address existing and emerging needs of customers in the Personal Protection segments and other adjacent end uses like Flame Retardant Home Furnishings.

The completion of the Toluca site signifies a crucial milestone, establishing it as our most extensive Performance Material facility. Toluca enhances the profitability of our Performance Yarns business, optimising utilisation, improving operational efficiency, reducing conversion costs, and expanding sales and customer service capabilities.

The move responds to challenges faced by US operations, addressing structural labour issues and high labour rate inflations. This strategic shift allows for economies of scale by transferring machinery to Mexico while ensuring compliance with the Berry Amendment for US-manufactured products thanks to the newly expanded and revamped Kings Mountain site in North Carolina.

Aligned with Coats' strategic goals, the Toluca site accelerates sales growth, delivering improved profitability with reduced lead time and exemplifies our commitment to operational efficiency, digital advancement, innovation, and sustainability.

The success of this large-scale manufacturing footprint in Mexico, showcases high operational efficiencies and improved service levels. Statistics include 34,000 spindles, 330 workers at full capacity, and a potential monthly output of 320klb.

With the Toluca site's completion, Coats has not only solidified its Mexican presence but also fortified its global position in the Performance Yarns sector. The Toluca project underscores Coats' commitment to innovation, operational excellence, and sustainable growth.

"I am proud to have led this large, complex project, contributing to Coats' history. Toluca is poised to be a lasting success story, ensuring a prosperous future for Mexico."
Gergely Zsigri
Strategic Program Manager

PERSISTENT IN PURPOSE, BOLD IN AMBITION:

Our next chapter in Sustainability.

As we continue our journey towards a greener future, our commitment to sustainability at Coats remains unwavering. Sustainability is woven into our DNA, is a core tenet of our Group business strategy and embedded within our Apparel, Performance Materials and Footwear Divisions.

Having delivered excellent results for 2019 to 2022, we refreshed our sustainability pillars in late 2022 to span across Energy, Materials, Water, Waste and People. Each pillar represents a key area of our sustainability strategy and has defined metrics and ambitious targets set for 2023 to 2026. Each metric has a defined basis of reporting which clearly outlines the manner in which it is measured.

We remain fully committed to:

- delivery of ‘science-based target’ emissions reduction across Scope 1, 2 and 3 by 2030
- achieve 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

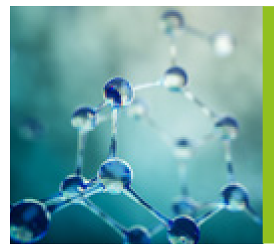
We fully recognise the importance of the circular economy and are dedicated to being a catalyst in our industry for developing solutions to help drive circularity. Our ambition is not just to participate in this new economy, but to shape it, setting new standards for sustainability.

Our focus extends beyond environmental impact, as we strive to make a positive and sustained difference in the social sphere. Delivery of our sustainability targets is driven by the diverse, dynamic and highly engaged talent that we employ across the business; each individual bringing their unique experiences and skillsets to the global team that is Coats.

The below pillars and their associated targets for delivery across the 2023 to 2026 time horizon guide our actions and help us measure our progress. They reflect our holistic approach to sustainability, one that balances environmental stewardship with social responsibility. As we work towards these targets, we remain committed to leading the industry in sustainability and social impact.

ENERGY

- 22% reduction in Scope 1 & 2 Emissions



MATERIALS

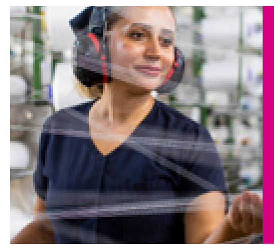
- 60% transition to recycled or bio materials

WATER

- 33% water recycling

WASTE

- 0% waste materials to landfill
- 100% compliance to ZDHC



PEOPLE

- 86% GPTW® coverage AND
- 30% women in leadership roles

2026 OUR NEXT CHAPTER SHORT-TERM TARGET

22% reduction in Scope 1&2 emissions

60% transition to recycled or bio materials

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

0% waste to landfill

100% ZDHC compliance

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

46.2% reduction in Scopes 1 & 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

AMBITIOUS HORIZONS: ADVANCING OUR SUSTAINABILITY JOURNEY

In 2023 we commenced preparations for our intention to receive public limited assurance on the performance of our 7 core sustainability targets against their 2022 baseline. It is our plan that limited assurance will be provided for 2024 ESG metrics performance and this will be reported publicly within our 2024 annual report.

In March 2023, the UN Intergovernmental Panel on Climate Change (IPCC) released its sixth assessment report (AR6) which made for bleak reading, confirming that human-induced global warming of 1.1°C has caused unprecedented changes to the Earth's climate in every region, such as rising sea levels, more extreme weather events and rapidly disappearing sea ice.

Anyone with an eye on global media cannot have missed the increased reporting of catastrophic weather events that have had such devastating impacts across the globe in 2023. Mass flooding, droughts, wildfires and extreme heat were seen across all continents.

The IPPC report warns that additional warming will increase the magnitude and frequency of these changes and will heighten the risk of reaching dangerous tipping points in our global climate systems. However, the report also offers hope. It highlights pathways to limit warming to 1.5°C or well below 2°C by reducing greenhouse gas emissions and emphasises the need for urgent and coordinated action from all sectors of the economy to achieve these pathways and avoid the worst impacts of climate change.

Coats is fully committed to doing its part to help mitigate climate change. As well as our 2050 Net-Zero commitment and 2030 science-based target emissions reductions targets, we have also committed to deliver a 22% reduction in Scope 1&2 emissions by 2026 from its 2022 baseline.

As part of our clear roadmap for delivery of these targets, we established a dedicated team of procurement and engineering professionals in 2023 to focus on delivering on our commitment of 100% renewable electricity by 2030 as well as driving continued energy efficiency increases. New rooftop solar projects have been installed across multiple sites in Bangladesh and India, and other projects are currently in various stages of deployment. We are rapidly increasing the percentage of renewable energy consumed across our facilities, through a combination of rooftop solar, Power Purchase Agreements for offsite wind farm energy and supplemental green energy through purchase of Renewable Energy Certificates (iRECs).

Emission related to raw materials constitute almost two-thirds of our Scope 3 emissions, and our 2030 target reductions will be largely underpinned by transition to non-virgin oil-based raw materials. Our new Sustainability Hub in Madurai, India, which was inaugurated in early 2023, will accelerate our materials transition to recycled, renewable and bio-based materials and emphasises our commitment to delivery of this target.

Having delivered 38% reduction in water intensity from 2019 to 2022, our future strategy for reducing water extraction activities is primarily linked to increasing our levels of water recycling by a rate of 33% by 2026 on our 2022 baseline. This will see capital investments being made in water recycling capability with priority being given to facilities in high water stress locations. In 2023 we have already delivered an 13.5% increase in water recycling rate on our 2022 baseline.

Landfill waste is a major contributor to greenhouse gas emissions, which are the main driver of climate change. According to the Environmental Protection Agency, landfills accounted for 15.1% of the total U.S. methane emissions in 2019, a potent greenhouse gas that traps more heat than carbon dioxide. Landfill waste also poses risks to human health and the environment. With this in mind, Coats has committed to a delivery of zero waste to landfill by 2026, and has set year on year landfill waste reduction targets for 2023 through to 2026. In 2023 we significantly enhanced our granularity of waste data recording across all sites, capturing the waste destination for every one of 35 defined waste categories. This additional transparency has helped drive insights that have led to landfill waste reduction programmes which have seen our landfill waste in 2023 reduce by 37% from our 2022 baseline. We currently have 40 sites operating with zero waste to landfill and this number will grow next year.

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Case Study
Spotlight on innovation

CUTTING-EDGE SUSTAINABILITY

> This state-of-the-art manufacturing facility in Madurai is the 'Centre of Excellence' for spinning and twisting in Coats."

Rajiv Sharma,
Coats Group Chief Executive

In March, we opened the doors of our state-of-the-art Sustainability Hub in Madurai – a spinning and twisting pilot plant that will progress our sustainability commitment.

Case Study
Spotlight on innovation

COATS SUSTAINABILITY HUB: PRIDE OF MADURAI

Completed in just 12 months, in the face of industry lead-time challenges, our flagship state-of-the-art Sustainability Innovation Hub is set to accelerate the material transition to recycled and renewable materials.

The new spinning and twisting pilot facility is located in the heritage site of Coats in Madurai, India in a sprawling area of 10,000 square feet. It has the infrastructure to process multiple fibres, blends & high-performance fibres like aramids.

Together with our Sustainability Hub in Shenzhen, China it will support customers and other stakeholders in creating sustainability in the industry, enabling Coats to streamline sustainability innovation, enhance brand collaborations and facilitate faster sustainable product offers and market entry capabilities.

It is part of a $10 million investment planned over the next five years in scaling up the development of green technologies and materials to accelerate the achievement of Coats' ambitious sustainability targets.

A personal view

"Despite global supply chain disruptions, the Hub was operational in an astounding 12 months. Teamwork resulted in the completion of the project and I am really proud of being a part of this great Sustainable Material Transition initiative in Coats."

SK Raja,
Director, Product Sustainability & Innovation

Key performance indicators
Performance measures of the Group's progress

Link to strategy

- Profitable sales growth
- Transform the business
- Value creation

FINANCIAL KPIs

During 2023 we continued to monitor our performance and progress using a range of key performance indicators (KPIs), each of which is a non-GAAP measure. In the year, adjusted EBITDA growth and leverage were added to the range as the Board consider them, along with the existing KPIs, to be important measures to track business performance. For further details of how these financial Alternative Performance Measures are reconciled to the nearest corresponding statutory measure, see note 37 on page 174.

2021 and 2022 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.

2023 Commentary

2023 revenue performance significantly impacted by customer destocking in the Apparel and Footwear Division, as well as customer insourcing and order phasing in the US in Performance Materials.

Performance

-14%

2023	14%
2022	10%
2021	29%

Adjusted operating profit growth

Definition

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

2023 Commentary

Adjusted operating profits down slightly vs a larger decline in revenues, as pricing / productivity / strategic projects / acquisition synergies more than offset inflationary pressures and volume declines.

Performance

-4%

2023	-4%
2022	22%
2021	75%

EBIT margin

Definition

Adjusted EBIT as a proportion of revenue

2023 Commentary

Pricing / productivity / strategic projects / acquisition synergies more than offset inflationary pressures and volume declines, resulting in a strong margin progression year on year.

Performance

16.7%

2023	16.7%
2022	14.8%
2021	12.8%

Adjusted earnings per share growth

Definition

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

2023 Commentary

Adjusted EPS flat year on year with operating profits held, despite lower sales, alongside tight control of interest and tax charges.

Performance

0%

2023	0%
2022	16%
2021	181%

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.

2023 Commentary

Strong cash generation underpinned by well controlled net working capital, whilst alongside continued spend on capital expenditure to support future growth.

Performance

$131m

2023	$131m
2022	$114m
2021	$113m

Leverage

Definition

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

2023 Commentary

Leverage remains comfortably within the 1-2x target range, underpinned by strong free cash flow.

Performance

1.5x

2023	1.5x
2022	1.4x
2021	0.7x

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.

2023 Commentary

Strong operating profit performance, despite revenue declines, alongside a continued well controlled asset base.

Performance

30%

2023	30%
2022	31%
2021	40%

Key performance indicators cont.

2023 SUSTAINABILITY KPIs

Following the maturity and successful delivery of our 2019-2022 targets at the end of 2022, we are now focussing on delivery of our new and highly ambitious targets which span from 2023-2026. Note: The data reported below excludes divestments made in 2023 (EU Zips, Mauritius and Madagascar).

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.

2023 commentary

The primary driver for Scope 1&2 emissions reduction is our transition to renewable electricity, were significant progress was made in 2023 with an increase from 29% in 2022 to 54% in 2023. Reduced production volumes in 2023 also contributed to Scope 1&2 emission reductions. In 2023 we delivered an overall 39% Scope 1&2 emissions reduction.

Performance

39%

2023	110,552
2022	182,005
2021	241,134

Materials

Sustainable 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.

2023 commentary

Through accelerated qualification processes we have broadened our supplier base for sustainable materials and our new Sustainability Hub in Madurai, India is now starting to develop innovative sustainable products. Our sustainable raw materials increased to 29% in 2023 compared to our 2022 baseline of 25%.

Performance

29%

2023	29%
2022	25%
2021	Not reported

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.

2023 commentary

Evaluation and planning for 2024 capital investments in new water recycling capability in high water stress locations took place in 2023, with increased recycling efficiency in currently installed recycling capacity delivering a 13.5% increase in water recycling rate in 2023 versus 2022 baseline.

Performance

27.3%

2023	27.3%
2022	24.0%
2021	23.0%

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.

2023 commentary

Our waste management programme focussed on delivery of improved granularity in waste reporting which enabled actionable insights for delivery of significant reductions in waste being diverted to landfill. In 2023 we have delivered a 37% reduction in waste to landfill vs 2022.

Performance

37%

2023	1,449
2022	2,296
2021	2,887

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.

2023 commentary

Further improvements in effluent quality, achieving 99.834%* ZDHC compliance versus 99.756%* compliance in 2022.

* Basis of reporting for effluent quality has been updated, further details can be found in our **Sustainability Report**.

Performance

99.834%

2023	99.834%
2022	99.756%

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.

2023 commentary

In a year when Coats was ranked Top 25 World's Best Workplaces and top 20 in Asia, our commitment to ensure Coats is a Great Place To Work® for all is being recognised on a global stage. Leadership puts our people first and the results mirror these high levels of engagement. We are on a journey, through our unique culture, to maintain our place in the World's Best Workplaces.

Performance

87%

2023	87%
2022	86%
2021	83%

People

Diversity & Inclusion

Target of 30% females in senior leadership roles by 2026

Definition

Percentage of females in senior leadership roles.

2023 commentary

Through the course of 2023 we have implemented various programmes and initiatives to promote female diversity across our business and have delivered an increase in the female representation in senior leadership roles from 21% in 2022 to 23% in 2023.

Performance

23%

2023	23%
2022	21%
2021	23%

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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 10 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

Our commitment to environmental sustainability is deeply ingrained in our purpose, and it remains a central focus of our sustainability strategy. We have committed to near-term science-based emissions reduction targets for 2030, and we've also submitted Net-Zero targets for 2050, which are currently undergoing validation by the Science Based Targets initiative. Achieving these decarbonisation targets necessitates that we reduce our energy consumption, transition to renewable energy and transition away from raw materials derived from virgin oil-based products.

Following delivery of a 38% water intensity reduction across the period 2019 to 2022, we further reduced water intensity by 5.5% in 2023. We are now focussing on increasing our water recycling so that we reduce the environmental water stress from our operations, and in 2023 increased our water recycling rate by 13.5% from 2022 - a positive step towards our 2026 target increase of 33% from our 2022 baseline.

We operate to global industry standards in terms of effluent quality and at the end of 2022 committed to a new target of being a zero waste to landfill organisation by 2026. In 2023, we reduced our waste to landfill tonnage by 37% from our 2022 baseline.

Our key policies in this area are our Environmental and Climate Policies and these can be found on our website. Fuller details of our environmental performance can be found in our **Sustainability Report**. The importance of environmental policies and performance is described on page 45.

Environmental non-compliance and climate change are both considered to be principal risks and details of the risk evaluations and mitigating actions are shown on pages 185 to 187. Our approach to responding to the risks and opportunities arising from climate change are summarised in our TCFD statement pages 188 to 195 of this report. We measure our emissions impact for Scopes 1 and 2 monthly and for Scope 3 annually. Our results can be seen in our emissions disclosures on page 197. Our key risk in environmental terms relates to effluent quality and we have on-line monitoring of key effluent measures in our large units and have extensive tests done by external laboratories of effluent quality every six months. Our performance is shown in our KPIs on page 42.

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 from any discrimination, bullying or harassment. We seek to promote physical and mental wellbeing in our workplaces.

Our key people-related polices are our Key People Principles, our Health and Safety Policy, our Worldwide Employment Standards, our Living Wage Policy (see page 45), our Ethics Code (see page 45), our Equal Opportunities Statement and our Speak Up (Whistleblowing) Policy (see page 45). All of these can be found on our website. Targets and performance on our people policies is described on page 42 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 & Safety incidents. These risk evaluations and mitigations are described on pages 183 to 185.

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 Convention 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 Multinational Enterprises and the related Due Diligence Guidelines for the Garment and Footwear Sector. Every two years we do a Human Rights Risk Assessment, and this was last done in 2023. Our Global 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 61.

The GIA team completed 10 audits during 2023. No human rights violations were found, and 20 minor issues were raised across several people related process areas and these have all been resolved or are being addressed.

We collaborate with our suppliers to extend our principles up our supply chain and perform regular Supplier Code audits on suppliers that are identified as being at higher risk. The outcomes of our Supplier Code audits are detailed in our **Sustainability Report** on page 60. 131 supplier audits were completed in 2023. 85% received a good rating while about 15% were termed 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 these suppliers for time bound corrective action plans. As a result of the audits, we determined that four suppliers failed to meet our standards and the supply arrangements were terminated. Our key policies on Human Rights are our Worldwide Employment Standards and our 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.

Non-financial information statement cont.

Social

We link to wider society through our suppliers and their employees, through our relationships with our local communities and neighbours and with our customers and consumers through our products.

Our Supplier Code, described above, describes our expectations of employment standards for our suppliers. There is a risk of non-compliance here and reputational damage and the Supplier Code audit programme helps us to manage this risk. The results have been described above.

In 2023, we launched our 'Coats Cares' programme which underpins our community engagement approach and allows our business units to engage with their communities on issues that are important at a local level. More details on 'Coats Cares' can be found on page 62 of our **Sustainability Report**.

The principal risk here is the environmental incident one described on page 57 and our management of this has been described above. See page 57 and for more details our **Sustainability Report**.

Ensuring that our products don't present any risk to our customers and consumers is actively managed by our Restricted Substances List (RSL) programme, which is updated annually. Application of this is part of our Supplier Code management as all inputs into our processes have to be certified as compliant to our RSL list 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 bribery or corruption or unethical behaviour in our operations and supply chains. We have a rolling programme of raising awareness across the business under the 'Do the Right Thing' banner and this is underpinned by biennial training for all key staff (around 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 104.

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 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 could have on us. This is managed proactively through our Supplier Code auditing process described above.

Other matters

In addition, information required in relation to the company's business model is described on page 19. Principal risks including those that relate to matters above are included on pages 52 to 58. Key non-financial KPIs are shown on page 41 where we describe 2023 performance against our new 2026 sustainability targets.

Non-financial information statement cont.

Non-financial information statement

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 2022 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 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

Developing and maintaining strong and mutually beneficial relationships with our stakeholders is part of our culture and is vital to our purpose and our strategic ambitions.

Below we summarise who our key stakeholders are, how we engaged with them during the year, what we learned and what we will do going forward. You can read our section 172 statement on pages 49 to 51, which sets out how the Board and management considered certain insights gained from our stakeholders in our decision making. 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 19.

OUR STAKEHOLDERS

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CUSTOMERS
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SHAREHOLDERS
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SUPPLIERS
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CUSTOMERS

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

How the Board engaged in 2023

The Board received in-depth overviews of the key customers, including customer insights, as part of the divisional deep dives provided by the divisional CEOs at Board meetings throughout the year. At the Company's annual strategy day, emerging trends and behaviours in China and India were discussed by the Board and management, relying on inputs sought directly from key customer meetings. During the visit to Sri Lanka, the Board met with several key customers and participated in an Apparel industry forum discussion, allowing direct engagement.

As well as these regular updates from Executive Directors and management, the global customer surveys programme continued using our dedicated commercial, sales and marketing teams to connect and partner with customers and brands, by listening and innovating to achieve jointly desired outcomes.

What we learned

The change to our operating model has been well received by customers but the Board must continue to monitor changing customer trends and demand to ensure the business model remains appropriately focussed. Previously identified demands for increased demand for speed, agility, and sustainable solutions continue across all divisions. Innovation and our focus on sustainability throughout the supply chain are key attractors for, and help retain, customers. The insights gained informed discussions on asset utilisation at the annual Strategy Day, as well as enabling the Board to provide considered input relating to other strategic and forecasting matters.

What we are going to do in 2024

The Board will continue to regularly monitor trends and insights in the Boardroom, leveraging existing two-way communication channels. As part of the annual away week, and at any other appropriate time during the year, the Board will seek direct engagement where appropriate. We will monitor customer feedback to identify emerging opportunities and risks, noting demand continues to be impacted by the macroeconomic environment.

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.

How the Board engaged during 2023

The Group CEO and Chief Financial Officer, together with the Investor Relations function, are regularly in contact with investors through calls and roadshows throughout the year. During 2023, Coats welcomed a number of shareholders, analysts, bankers, advisors and brokers to the Gotex facility in Spain and insights were shared with the Board. The Chair also joined investor calls where appropriate, with investors having been invited to share their views on the Remuneration Policy that was approved at the

Stakeholder engagement cont.

2023 AGM. The Senior Independent Director, together with the incoming Senior Independent Director, consulted with a number of investors regarding the extension of the Chair's tenure. Full details of the process undertaken are set out in the Nomination Committee report on page 86.

The Board receives an update at every Board meeting from the Investor Relations function on feedback from investors and key trends, and the annual Broker presentation on how the Company is perceived by investors was again considered. 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 learned

Regular conversations with both existing and prospective investors allow the Company to share timely information on key strategic and operational matters. Site visits allow investors to directly experience our operations and better understand our value proposition. Our continued focus on ESG matters continues to be attractive to investors. The proactive actions taken, such as the strategic projects and divestments, to optimise the Company's portfolio and footprint and improve the overall cost base efficiency have been positively received. The progressive dividend policy continues to be important to investors. Investors appreciated being consulted when the tenure of David Gosnell, Chair, was being reviewed and valued the opportunity to understand the rationale for the proposal, in particular the benefits of continuity given the significant changes that had taken place within the Group, ahead of the Company's forthcoming AGM.

What we are going to do in 2024

We will continue to seek appropriate opportunities to allow investors to visit our sites and operations to demonstrate our strategic value. We will continue to consider total returns to shareholders in our Board discussions. The Chair, Group CEO and Chief Financial Officer will continue to attend relevant investor meetings as will the Chairs of the Committees, if appropriate.

EMPLOYEES

Our 15,000+ 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.

How the Board engaged in 2023

The Board continued to directly engage with employees at various levels of the Company presenting at Board meetings, including those providing the divisional deep dives and those participating in the various topics covered at the annual strategy day. By inviting a wider range of employees into the Boardroom, the Board gains insights into ways of working that are then used to inform strategic and operational matters. During the Board visit to Sri Lanka, the Board met with those working at our local plants and had direct experience of day-to-day operations. A number of Board members attended the Leadership Conference and valued the increased insights gained by this event being held in-person. Sarah Highfield met with employees from various parts of the business as part of her induction programme and shared her impressions with the Board.

The Board continued to monitor metrics relating to culture and diversity at every Board meeting. The Chief HR Officer provided various updates throughout the year across various topics, including the insights from the 'Your Voice Matters' survey, and tracking the resulting actions, as well as providing updates on the 'Coats for All' and 'Coats for Her' initiatives. People updates were also considered as part of the divisional deep dives. 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. Regular reviews of the results of Great Place To Work® surveys were considered by the Board.

Our Designated Non-Executive Director for Workforce Engagement, Fran Philip, continued her detailed programme of engagement through a combination of in-person and virtual sessions held with employees based in Turkey, UK, and Asia. Fran had discussions with the divisional CEOs, and she also continued to attend our DE&I Network calls to listen and speak to a wide range of people from across the Company.

What we learned

The organisation has embraced the new ways of working and the divisional structure, welcoming the resulting agility and freedom to operate. As evidenced by the achievements in the Great Place To Work® global rankings, the Company's culture continues to attract and retain employees. Employees still highly value the Group's approach to health and safety and the focus on diversity, particularly the activities relating to 'Coats for Her'. Further common areas of feedback included a desire for increased mentoring opportunities and to continue to identify and implement standardisation of processes to drive simplification and efficiency in ways of working. Employees also remain mindful of the cost of living increases.

What we are going to do in 2024

Direct engagement will be sought during site visits, conferences and at Board meetings with insights informing future Board discussions. Fran will continue to share insights from her very important engagement role. There will continue to be a focus on diversity and other inclusion initiatives, noting the cultural and strategic importance of these. The insights from employee surveys will also be appropriately considered, as will other relevant metrics including in relation to employee engagement and health and safety.

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.

How the Board engaged in 2023

The Sustainability Committee 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 the 2030 science based-targets, including the transition to renewables. Changes to legislation, regulation and best corporate governance practices were considered to ensure the Group is able to

Stakeholder engagement cont.

meet its legal responsibilities as well as its own ambitions. 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 Board was able to consider the impact of the Sri Lankan plant and operations on the local environment as part of the away week in October 2023. Members of the Board and GET were also present at the opening of the Sustainability Hub in March 2023, and engaged with various environmental-related stakeholders regarding our efforts in transitioning to recycled and renewable materials.

Environmental metrics are presented at every Board meeting and progress is tracked across key performance measures, including our sustainability targets programme. The Board considered the impact of current operations on our environmental footprint and how these could be further reduced through asset utilisation. Sustainability innovations were considered with their link to our strategy and performance also being reviewed. There were discussions as to what improvements are required to ensure we continue to deliver against our ambitions.

What we learned

The 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. Shareholders offered their views on living wage policies, as well as other ESG-related matters.

What we are going to do in 2024

The Board will continue to monitor progress against targets and track this against the agreed plans for delivering the 2030 targets. Insights gathered from key environmental stakeholders will be considered and continue to inform strategic and operational planning. The Board will continue to ensure strategic planning is aligned to meeting our environmental goals.

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.

How the Board engaged in 2023

During the away week held in Sri Lanka, the Board visited a local school, which is attended by relations of the workforce and occupies land originally donated by Coats. The school will receive donations from Coats Sri Lanka to enhance infrastructure and further benefit the community. The Board also visited a local hospital, which provides critical healthcare to the community and also receives donations from the local business. The Directors were able to directly interact with people living in the areas in which we operate. As part of the decisions taken in relation to divestments during the year, the Board considered the impact on the local communities, especially in relation to the changes made in our production footprint.

The Board was kept informed of various initiatives taking place as a result of 'Coats for All', 'Coats for Her' and 'Coats Cares'. As well as monitoring the insights from and the impacts of the DE&I programmes internally, the Board also learned of other initiatives taking place such as a local scheme to help train women that were not part of the Coats workforce to sew and support the development of their other skills to enhance their future employment prospects.

What we learned

We understand the impact of our business on local communities, both for our workforce and those in the areas in which we operate. As the volatility in the macro environment persists, opportunities provided by the Group continue to be valued. Changes to our footprint can have long-lasting impacts on communities, and the Board will continue to be mindful of these in its decision making.

What we are going to do in 2024

The Board will continue to monitor the insights from 'Coats for All', including the focus on 'Coats for Her', to support our DE&I aspirations. Key metrics, including those relating to DE&I, will be monitored at every meeting. Visits to local communities are planned as part of the 2024 programme of work. More details of our activities can be found in our **Sustainability Report** online (**www.coats.com/sustainability**).

SUPPLIERS

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

How the Board engaged in 2023

The Audit and Risk Committee reviewed supplier payment terms and maintained oversight of the refresh of the Group's Supplier Code, with reviews being undertaken into any failures of suppliers to meet our high standards. The Audit and Risk Committee shared these insights with the full Board. The Board also considered insights from suppliers as part of the divisional deep dives, including reviewing supply chain issues and trends. Discussions relating to India and China were held as part of the annual strategy day and there were insights into supply trends and potential future risks and opportunities. The Board reviewed key supply contracts in line with the Group's Delegated Authorities Policy.

What we learned

The refreshed Group Supplier Code was accompanied by appropriate training, conducted internally and externally. All parties are clear on expectations of our suppliers, and what will happen if these expectations are not met. This allows certainty in our relationships. Suppliers continue to appreciate our innovation and sustainability focus. In the context of the continued global uncertainty, supply chain management continues to be critical.

What we are going to do in 2024

The Board will continue to use existing feedback structures to regularly review supply-related trends and insights identified by management across all parts of our business. Direct engagement as a part of Board visits or in the Boardroom will be kept under review and scheduled when appropriate.

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). The Board believes that considering and balancing the needs and priorities of our stakeholders, when making key business decisions is not only the right thing to do but is central to our ability to drive sustainable value creation over the longer term.

On pages 46 to 48 we outline the ways that the Board has engaged with our six groups of stakeholders, including what was learned and what we will do in 2024 as a result of this engagement. These interactions provide the Board with insights to allow them to make informed decisions that consider and address any differing needs and priorities, while ensuring the appropriate focus on strategic and cultural outcomes.

Board information and monitoring – the correct inputs

- Board papers identify the key stakeholder groups for matters under discussion. The Board is able to probe, challenge and debate the various stakeholder-related factors, to ensure any differing views and outcomes are addressed. 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.

Strategic discussions

- All Board members are expected to contribute their views and insights to provide appropriate strategic guidance. The diversity of skills, knowledge and experience assists debate and results in informed decision making that considers the needs of our stakeholders.
- The Board utilises the Group's well established systems and ways of working to ensure that there is proper consideration of the potential short- and long-term consequences of decisions.
- Management is appropriately contactable at and in between meetings to allow the timely provision of sensitive information when required.

Strategy and culture

- Coats' culture is characterised by agile collaborative ways of working that deliver high-quality strategic outputs. The Board is committed to maintaining a tone that ensures our high standards of business conduct are upheld at all levels within the Group. The importance of maintaining our reputation for 'doing the right thing' is well understood.
- We continue to challenge ourselves, and those in our supply chain, to demonstrate the highest standards of conduct in our dealings and the Board, together with the Audit and Risk Committee, monitor these areas, including the insights from supplier audits, and discuss interventions with management where required.

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 50 to 51. Other information considered by the Board during 2023 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 to 6) – Strategy (page 17 to 18) – Business model (pages 19 to 20) – Sustainability (pages 37 to 38 and TCFD disclosures (pages 181 to 197) – Principal risks and uncertainties (pages 52 to 58) – Long-term viability statement (page 59)
(b) The interests of the Company's employees.	– People and Culture (pages 13 to 14) – Business model (page 20) – Division updates (pages 26,30 and 34) – Key performance indicators (GPTW® certification, page 42) – Stakeholder engagement (page 47) – The Board and culture (page 75)
(c) The need to foster the Company's business relationships with suppliers, customers and others.	– Business model (pages 19 to 20) – Division updates (pages 25 to 34) – Stakeholder engagement (pages 46 to 48) – Principal risks and uncertainties (pages 52 to 58) – Operating review (pages 60 to 62)
(d) The impact of the Company's operations on the community and the environment.	– Stakeholder engagement (pages 47 to 48) – Sustainability (pages 37 to 38) – Principal risks and uncertainties (pages 52 to 58) – Directors' report (SECR disclosures, page 105 to 106) – TCFD disclosures (pages 181 to 197)
(e) The desirability of the Company maintaining a reputation for high standards of business conduct.	– People and Culture (pages 13 to 14) – Non-financial information statement (pages 43 to 45) – Principal risks and uncertainties (pages 52 to 58) – Audit and Risk Committee Report (pages 79 to 84) – Whistleblowing (page 104)
(f) The need to act fairly as between members of the Company.	– Stakeholder engagement (page 46 to 47)

Section 172 statement cont.

BOARD DECISION MAKING DURING THE YEAR

Examples of Board decision making during the year and S172 Factors considered	Stakeholder considerations and outcomes	
Pensions Further to the agreement that had been made in December 2022 resulting in the implementation of a mechanism to 'switch off/switch on' the Company's regular pension deficit repair payments to the UK Pension Scheme (Scheme), the Board continued to closely monitor the funding position of the Scheme. In December 2023, it was agreed with the UK Pension Trustee (Trustee) that the regular cash contributions be 'switched off' subject to the payment of a lump sum of £10 million.	EMPLOYEES	The Board considered the benefits of continuing to de-risk the Scheme for both current and future pensioners. De-risking the Scheme by purchasing insurance policies is the safest form of asset class for current and future pensioners.
	SHAREHOLDERS	Noting the attractiveness of free cash flow generation to shareholders, 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 the monthly free cash flow benefit of 'switching off' the regular contributions. The Board considered investor feedback in relation to previous pension actions.
	Outcome – Mindful that the payment of the £10 million lump sum was expected to result in free cash flow benefit of circa £2 million per month for the period in which the pension deficit repair payments remained 'switched off', the Board considered that the payback period and benefits to all stakeholders were compelling enough to reach agreement with the Trustee. The deficit repair payments will remain 'switched off' for so long as the Scheme's assets remain above 99% of its technical provision.	
Divestments during 2023 – including Mauritius/Madagascar, European Zips and change in manufacturing locations Following the move to a divisional operating structure in January 2023, and as part of the ongoing strategic projects, 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 2023, the Board considered the divestment of the Mauritian and Madagascan business units, the European Zips business and the relocation of production of certain of the Group's products to move these closer to customers and to maximise utilisation of existing facilities.	CUSTOMERS	When considering the potential opportunities and challenges arising from further optimising the footprint of the business, the Directors noted the alignment to Coats' strategic aim to bring operations closer to customers. The Board also considered the impact of the divestments of non-core assets on the customers of the Group, noting that this would potentially result in the end of certain relationships.
	SUPPLIERS	The Board considered the impact on new and existing supplier relationships, particularly in ensuring the need for suppliers to adhere to the Group's Supplier Code and ensuring the consistency of supply.
	COMMUNITIES	The Board is aware that changing the location of where we do business can have significant impacts on the communities in which we operate, especially when decisions result in us exiting an area. Accordingly, the Board considered the wide ranging impacts resulting from the divestments and relocations, including the potential effects on the local economy and, in particular, any reduction in local opportunity.
	EMPLOYEES	The Board regularly deliberated and monitored the impacts of the further changes to the operating structure on existing and new employees, through regular project and people updates as well as assessing the overall cultural impact on the Group's employees through the results of the various employee surveys. There was discussion regarding the increased opportunities for employees in new business areas and/or relocated operations balanced against the challenges presented to employees that would exit the business, with relocation opportunities considered where appropriate.
	ENVIRONMENT	The Board is aware that moving operations closer to customers can result in environmental benefits from a shortened supply chain. The Board also sought to ensure the Group's laser focus on achieving the strategic plan, including meeting our ambitious sustainability targets, through having the right range of product solutions manufactured in the right way in the right location.
	SHAREHOLDERS	The Board noted the positive reception from investors to our new operating model and the range of self-help strategic projects to allow the Group to manage items within its control during the continued period of economic uncertainty and challenge.
	Outcome – After detailed consideration of both the short- and long- term impacts of the divestments and relocation of production activities, and having considered the feedback from stakeholders presented regularly at meetings and noting the various impacts on stakeholder groups resulting from these projects, the Board agreed to approve the divestments and relocation of certain production facilities.	

Section 172 statement cont.

Examples of Board decision making during the year and S172 Factors considered	Stakeholder considerations and outcomes	
Financial considerations including dividend payments The continued global economic and geopolitical uncertainty resulted in lengthy Board discussions regarding the financial performance of the Group, including the best approach to capital allocation. There was detailed consideration of the level of both the interim and final dividend based on a full assessment of the Group's position considering, amongst other factors, the ongoing destocking and the Group's market share gains.	SHAREHOLDERS	The Board understands the importance of regular returns to shareholders and the feedback received regarding the Group's progressive dividend policy supports this.
	Outcome – Having considered several different scenarios, the Directors agreed to pay an interim dividend of 0.81 cents per share, a 15% increase on the prior year, on 15 November 2023. The Directors are proposing a final dividend of 1.99 cents per share, a 15% increase on the prior year, which will be paid, subject to shareholder approval at the forthcoming AGM, on 30 May 2024 to ordinary shareholders on the register at 3 May 2024, with an ex-dividend date of 2 May 2024.	
DE&I-related targets The Board has continued to closely monitor the implementation of and the outcomes to date from the 'Coats for All', 'Coats for Her' and 'Coats Cares' programmes. These programmes support the development and continuation of a number of aspects of the Group's desired culture. The Board also considers the impact these, and other Group initiatives have had on our previously communicated sustainability targets including the coverage of Great Place To Work® certification and the number of women in leadership roles. Continuing the Group's ambitions in DEI-related areas, and in line with the new request from the Parker Review, in December 2023 the Board considered setting an ethnicity target to be achieved by 2027.	COMMUNITIES	The Directors have long understood the importance of diversity within all levels of the workforce to support the Group in achieving its ambitions. The Board considered the insights presented during the year regarding the activities in local communities and how the Group had continued to support those in the areas in which we operate.
	EMPLOYEES	The Board considered the regularly presented updates regarding people and progress on our sustainability-related targets during the year. The Board also considered the feedback from the Designated Non-Executive Director for workforce engagement, in particular on the positive response to the culture-related initiatives and also the desire for further opportunities within the Group.
	SHAREHOLDERS	The Board noted the positive feedback received over many years in relation to the Group's commitment to DEI and ESG. Investors' desire to see diverse workforces has increased over recent years and the Board is aware of the continuing trend.
	Outcome – Following consideration of all relevant factors, including recent certification of Coats Group plc as one of the World's Best Workplaces™, the Board considered the current levels of ethnic representation at GET level and amongst the population reporting into the GET. Noting the Group has a global footprint, the Board agreed to set a target, using the definitions of the Parker Review, stating that "The Group is committed to maintaining circa 50% ethnic diversity in our senior leadership team, while recognising that periods of change in the composition of senior leadership may result in temporary periods when this balance is not achieved".	

Principal risks and uncertainties

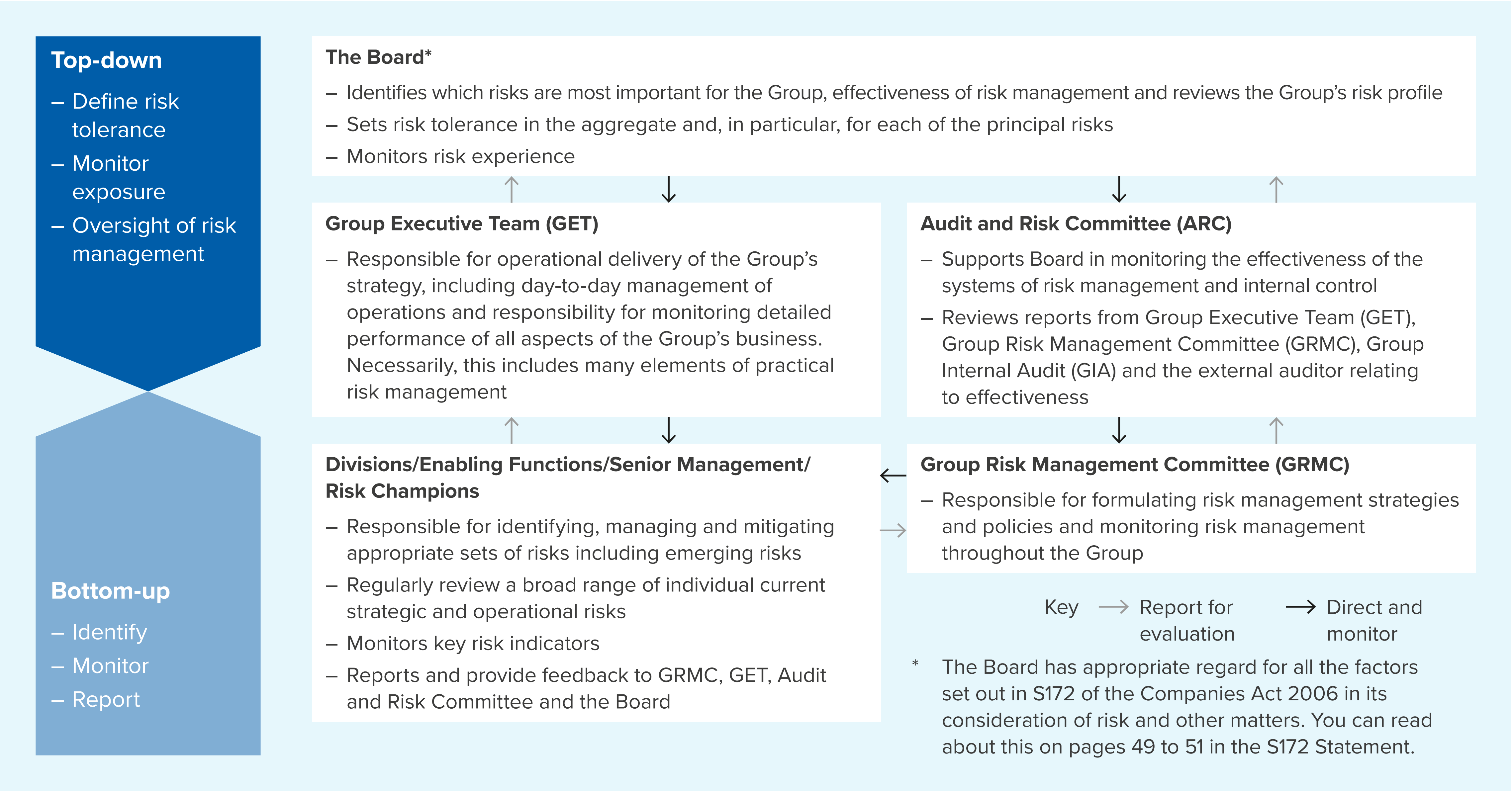
Effective and pragmatic risk management drives better decisions, protects our business and supports our growth.

Risk framework and governance

The Board understands that operating in a dynamic and ever changing business environment requires a risk management framework that is robust and pragmatic. At Coats, we have an established structure and processes which bring together our risk management and internal controls activities, to provide a holistic and integrated approach.

The Group has implemented a divisional operating structure with each of the three divisions having well defined responsibilities supported by clear reporting processes and delegated authorities. Those responsibilities include risk management within the respective divisions under the oversight of senior executive management and the Board. A summary of risk management responsibilities across the Group is set out below. This framework enables the effective identification, evaluation and management of our risks.

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. Our risk framework is based around five categories of principal risks (strategic, external, climate, operational, and legacy), as well as key and emerging risks which are used to build the Group Risk Register. These also informed the creation of our divisional risk registers during 2023, which support the overall assessment of Group risk. We use internal and external data to monitor our risks and make appropriate interventions. Climate related risks, impacts and mitigating actions are assessed as part of our Taskforce for Climate-related Financial Disclosures (TCFD) which are outlined in more detail from page 181 of this report.



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, and for monitoring and reviewing the effectiveness of the Group's systems of risk management and internal controls. It has delegated responsibility for the latter to the Audit and Risk Committee (ARC).

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 risk champions in the business. The Group Risk Management Committee (GRMC) is comprised of all members of the GET and meets regularly, facilitating timely and responsive risk assessment and agile action taking.

The effectiveness of our risk management relies on embedding the correct cultural behaviours as well as systems in the organisation through our Group-wide policies and processes. These are supported by our ongoing training and compliance initiatives, as well as a comprehensive range of communications. These activities are conducted on both a scheduled and ad hoc basis, with timely refreshers being conducted by GET members where key messages are identified for re-enforcement. 'Doing the Right Thing', our internal ethics programme, has continued to be a key part of these initiatives throughout 2023, with sessions held in all areas of the business covering a variety of topics.

Risk tolerance

The Board has undertaken an exercise to consider its risk tolerance across our principal risks. Our well established and embedded risk tolerance structure is determined using four categories which are listed below. In setting risk tolerances, the Board has considered the expectations of its shareholders and other stakeholders to practically inform the appropriate level of tolerance. After careful consideration, the Board determined the appropriate risk tolerance level of each of the principal risks. The results of this review will support the Board's decision making during 2024. The Board conducts a review of its risk tolerances for principal risks at least annually.

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

Principal risks and uncertainties cont.

Risk management actions in 2023

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.

During 2023, the Board, ARC, GET and GRMC considered presentations from senior management that included a holistic view of risks, including principal risks, and gave input on the steps planned to mitigate these risks. Following the change to the divisional operating model, each divisional Finance Director attended an ARC meeting to provide an overview of the development of their divisional risk register, as well as providing insights into key risk priorities and mitigations for their area of the business. There are also standalone risk presentations when appropriate, which, in 2023, included two cyber security deep dive discussions with the Board as well as an externally facilitated AI-related deep dive.

The regular updates on the progress in the Strategic Projects and divisional and country level deep dives continued to be presented at Board meetings and at the Strategy Day, which all included an analysis of associated risks and opportunities, including principal risk considerations.

Additionally, the Board received regular reporting from the Group CEO/GET members on health and safety, sustainability, people, performance, M&A and legal and environmental matters.

The Group's ongoing insurance programme is kept under review by the Board to ensure 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. The ARC, and then Board, also reviewed the effectiveness of the Company's risk management and internal controls. You can read more about this in the ARC report on page 82.

Based on the principal and key risks of the organisation, our GIA team updates and embeds the relevant Group risks in its audit process, for instance, compliance with anti-bribery and corruption requirements, the risk of internal fraud, sustainability-related risks and IT/cyber security controls. GIA reviews the Group Risk Register and divisional risk registers regularly throughout the year. This review includes an assessment of the risk management practices in divisions such as the frequency and adequacy of the local risk management committee meetings, the risks identified and discussed, and the completion of the actions contained in the divisional risk registers.

The ARC considers the results of these assessments along with GIA's bi-annual risk questionnaire, which sets out business units' reports on exceptions or risks arising from operations. Topics covered in the risk questionnaire are appropriately aligned to principal and key risks, including feedback on health and safety, people matters, the environment and anti-bribery and corruption. These activities provide an assurance that risk management activities are carried out appropriately and consistently throughout the Group, and that the risks are reviewed and kept up to date by the respective stakeholders.

Emerging risks

The Board and management continue to remain alert to emerging risks. Horizon scanning is integrated into our risk management processes to identify any potential disruptions to our internal or external business environment. These are undertaken at appropriate intervals within divisions, consulting both internal and external experts to inform the process, and these are then discussed regularly at the GRMC/GET/Board.

During 2023 a number of emerging and evolving technology-related risks and opportunities were identified and, after discussion, the Board categorised these as emerging risks. These have been added to the Group's risk register and will continue to be monitored, managed and, as appropriate, mitigated, in line with our risk management processes.

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.

Change of risk description

Due to the ever-changing global risk environment, the following risks have been updated since the last report:

1. Climate change risk has been refined to include reference to energy security and the Group's ability to access sufficient renewable energy in the locations where it needs it.
2. Supplier risk has been amended to include the reputational risk of supplier non-compliance with the Group's ethical standards.
3. M&A programme ambition risk has been amended to remove the explicit reference to the integration of the two footwear acquisitions completed in 2022.
4. Bribery and anti-competitive behaviour risk has been expanded to include areas such as compliance with sanctions laws and was renamed 'Legal and regulatory compliance risk'.

Change in risk trend

The Board recently reviewed the risk trends for all current principal and key risks and concluded that the trends for all principal risks remained unchanged, noting that the risk trend for economic and geopolitical risk remained "increasing". Risk trends for certain key risks were adjusted to reflect the current assessment of the risk environment within which each of those risks sits.

Principal risks and uncertainties cont.

Our 11 principal risks, along with a summary of 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** – Create value	– Maintenance of robust acquisition pipeline developed utilising internal networks and external consultants, with clear acquisition criteria mapped to Coats' strategic goals. – Structured and appropriate due diligence undertaken on potential new targets where permitted and practicable. – Developing relationships with potential acquisition targets where practical. – Use of professional advisory firms to conduct thorough due diligence and prepare robust integration plans spanning across all Group functions. – 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 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 via well established lines of communication across various platforms with customers undertaken at all levels within Group. During 2023, further digitised ways of engaging with customers were introduced with further opportunities for enhancements identified for implementation in 2024. – Continued monitoring of trends that have potential to change our industry undertaken at both Group and divisional level. These are tracked and escalated where required via well established reporting processes. – Ensuring agility in our supply chain and maintaining customer-centric operational footprint to ensure enhanced productivity resulting in continuous improvement and speed of delivery. – Laser focus on 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 committed goal of generating 35% of sales from products created in previous five years. – Inauguration of industry-leading Sustainability Hub in Madurai, India, to accelerate Coats' materials transition journey to sustainable materials. – Highly skilled team of postgraduate and PhD educated textile engineers employed to collaborate with partners and brands to develop highly innovative new thread products to meet exacting technical requirements of customers. – Introduction of new Life Cycle Assessment Manager role with focus of implementing Life Cycle Impact Assessment (LCIA) across Coats' core product groups and embedded LCIA into product innovation process. – Further 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 and ShopCoats helps customers manage their orders digitally. – Expansion of Footwear operations in Indonesia to serve growing demand.

Principal risks and uncertainties cont.

1. STRATEGIC CONTINUED

Principal risk	Action/mitigation
Risk of failure to attract, retain and develop diverse and inclusive set of **talent and capability** given business changes, growth in new areas and labour availability challenges **Risk trend** **Link to strategy** – Accelerate profitable sales growth – Transform the business – Create value	– 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. – Clear objectives and development plans, including learning opportunities, agreed between each employee and their leaders. – Review of succession plans for senior and critical roles regularly discussed at both GET and Board meetings. – Recruitment policy introduced and investment in internal and external talent to strengthen capability in key roles, develop future leaders and drive internal career progression. – Internal talent review conducted by GET to identify high-potential individuals and agree action plans for development. These are discussed regularly by Nomination Committee. – 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. – Regular cultural monitoring and people driven initiatives (you can read more about these programmes on page 14) continued in 2023 which focussed on recognition and appreciation; belonging and DEI; wellbeing; philanthropy and appropriate flexibility for individual roles.

2. EXTERNAL

Principal risk	Action/mitigation
Economic and geopolitical risk arising from significant macroeconomic and demand uncertainty – across both key Asian and developed markets – including risk to free trade conventions – as well as global inflationary pressures and ongoing geopolitical 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. – 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. – Active global supply chain management allows operational processes to be maintained through 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 business unit level. Consultation with external advisors where necessary. – Appropriate insurance cover in place to mitigate 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, include 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. – New controls introduced during 2023 included: Vulnerability Disclosure Process and Policy; IT and Security Asset Management; Log Aggregation and Monitoring; Email Fraud Defence; and Network Security. These will continue to mature through 2024. Continued education of employees and protection of key systems ensures business continuity and reduces the potential impact of future threats. – Focus areas for 2024 include Privileged Identity and Access Management; enhancing email security; supply chain security measures; and advanced network security.

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** **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 2023 there was focus on evaluation and onboarding of selected new supply options to ensure accelerated transition to sustainable materials. – Continued monitoring of stocking and demand data to facilitate timely consolidation of orders with strategic suppliers. – 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. – Refreshed Supplier Code issued and supported by extensive training internally at all levels within Group and with key external suppliers. – Supplier Code contains five 'red flags' for child labour, forced labour, physical/mental abuse, anti-bribery & corruption, and minimum wage as per country standards. There is zero-tolerance to any violations in these five areas. In such cases, relationship with supplier is terminated both immediately and permanently. – Continuation of programme of audits that are targeted at suppliers that have high-risk profile. On our behalf, Bureau Veritas conducted 159 third party audits in 2023. All suppliers have to commit to compliance with our 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 audit as part their on-boarding process and on recurring basis, with frequency dependant on score of their previous audit.

Principal risks and uncertainties cont.

2. EXTERNAL CONTINUED

Principal risk	Action/mitigation
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	– Development of year on year roadmap to deliver our 2026 targets, noting our 2023 performance, across all metrics, is on track. – Track and implement new and updated Environment, Health & Safety (EHS) legislative requirements using subscription-based environmental system. – Utilisation of permit management system for all environmental permits and licences held in each country that we operate. – All 33 Apparel and Footwear manufacturing units annually complete Higg Facility Environmental Module (FEM), this sustainability assessment tool is specifically designed to assess the environmental performance of textile industry. Higg assessment comprehensively assesses environmental management systems; energy & greenhouse gas emissions; water; waste; wastewater; air emissions; and chemicals management. – Environmental incident management system is maintained to ensure consistent and transparent way of managing any environmental incidents that occur. Corrective and preventative actions are implemented to prevent reoccurrence through risk-based approach. – Online analytical monitoring equipment provides real-time data for effluent treatment plants that discharge direct to natural waterways, to ensure that local permit conditions are met as well as 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 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**).

3. CLIMATE

Principal risk	Action/mitigation
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 the business, and driving the 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. – Extension of climate change risk analysis to incorporate sites owned by Texon and Rhenoflex, which included analysis of physical climate risks such as risks associated with coastal and riverine flooding as well as water stress and extreme heat days. – Scopes 1, 2 and 3 emissions established for Texon and Rhenoflex, with re-baselining back to 2019 to enable submission to SBTi for approval. These businesses have also been brought into scope when assessing risks associated with future carbon tax implementation as well as risks associated with market share loss in event of failure to deliver our climate-related targets (e.g. 2030 SBTi emissions reduction targets across Scopes 1, 2, 3 and 2050 Net Zero commitment). You can read more about our sustainability targets in our 2023 **Sustainability Report** (**www.coats.com/sustainability**). – Quantification and mitigation continued to be carried out using TCFD Recommendations as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with use of additional guidance from 'Implementing the Recommendations of Task Force on Climate-related Financial Disclosures', 2021. – Progress in transitioning to renewable supplies of electricity resulting in increase in percentage of green certified electricity to 54% in 2023 (29% in 2022). Rooftop solar installations have been fitted across number of sites in 2023, and good progress has been made in instituting Power Purchase Agreements for certified green energy supply through country national grids. – Full details of our 2023 TCFD disclosures, which set out implications of climate change over short-, medium- and long-term and seven TCFD risks, can be found in TCFD section of this annual report.

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 and talent retention
 	
Risk trend
 	
Link to strategy
– Transform the business
	– 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.
	– Subject matter experts in H&S at unit level in place to set H&S strategy, conduct audit of H&S controls, and support local H&S efforts.
	– Learnings from incidents and best practices communicated to all areas of Group to facilitate continuous improvement.
	– Board oversight ensures positive and proactive health & safety culture with appropriate focus on prevention of injury.
	– Global programme 'Energy for Performance' in place focussing 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.
	– 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 H&S 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.
	  – '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 H&S systems and the hazard controls are undertaken.
	  – Behaviour management system utilised to influence risk behaviour at Coats' sites (Intenseye).

Principal risk	Action/mitigation
Legal and regulatory compliance risk – risk of breach of law in relation to areas such as anti-corruption, competition or sanctions, resulting in material fine and/or reputational damage **Risk trend** **Link to strategy** – Accelerate profitable sales growth – Transform the business	– Robust control framework maintained, supported by comprehensive corporate governance and compliance policies and procedures at both Group and business unit level. – Regular monitoring of legal and regulatory developments at both Group and business unit level, with appropriate consultation with external advisors where necessary. Group policies regularly reviewed and enhanced to incorporate relevant changes and best practice e.g. Human Rights policy in 2023. – 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 are completed by all relevant employees on biennial basis, and by all new starters. In 2023, 36,000 training modules were delivered to over 5,000 employees. Targeted training is provided to specific groups and functions where additional training needs are identified. – 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 2023 the programme focussed on Anti-bribery, Data Protection & Cybersecurity, and Competition Law compliance. – During 2023, the sanction policies and procedures were refreshed, supported by tailored communications and bespoke training provided to divisional teams. Updates were made to vendor and customer data management systems to require completion of mandatory fields linked to our Sanctions Instructions. – Each business unit completes semi-annual compliance review checklist, with any deviations being reported to ARC. – Group Internal Audit (GIA) include regulatory and policy compliance as part of their audit remit. During 2023 GIA completed ten market audits. – Dedicated whistleblowing email address and confidential, multi-language external web-based reporting system available in line with Whistleblowing Policy, which was updated in 2023.
5. LEGACY	
Lower Passaic River legacy environmental matter **Risk trend** **Link to strategy** – Transform the business	– 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 2026. 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 the Group's committed debt finance facilities of $835 million across both its Banking and US Private Placement group, which have a range of maturities from December 2024 through to 2030.

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 (2024–2026). 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 considered the Group's current position and the potential impact of the principal risks set out on pages 52 to 58 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 52 to 58 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).
- Benefits from strategic projects are lower than expected.
- Benefits from synergies, following the Texon and Rhenoflex acquisitions, are lower than expected.
- Supply chain challenges cause unavailability and/or price increases of raw materials, labour, freight and/or logistical challenges causing major disruption to Coats' 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 2024 and 2030 and the revolving facility matures in 2026, following bank agreement for two one-year extensions. It has been assumed that the US private placement borrowings maturing in December 2024 are repaid in full and the revolving facility maturing in April 2026 is successfully refinanced during the assessment period.
- The assumption that following a material risk event, the Group would adjust capital management to preserve cash.
- 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 127, 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 2023 $m	FY 2022 [4] $m	FY 2022 CER [1] $m	Inc / (dec) %	CER [1] inc / (dec) %	Organic [4] inc / (dec) %
Revenue						
By division						
Apparel	689	818	784	(16%)	(12%)	(12%)
Footwear	368	300	298	23%	24%	(16%)
Performance Materials	336	420	406	(20%)	(17%)	(17%)
Total	**1,394**	**1,538**	**1,488**	**(9%)**	**(6%)**	**(14%)**
By region						
Asia	823	912	890	(10%)	(8%)	(13%)
Americas	246	341	340	(28%)	(28%)	(28%)
EMEA	325	285	257	14%	26%	(2%)
Total	**1,394**	**1,538**	**1,488**	**(9%)**	**(6%)**	**(14%)**
Adjusted EBIT [2, 5]						
By division						
Apparel	120	130	125	(8%)	(4%)	(4%)
Footwear	84	68	68	23%	24%	(1%)
Performance Materials	29	34	32	(15%)	(10%)	(10%)
Total adjusted EBIT	**233**	**233**	**225**	**0%**	**4%**	**(4%)**
Exceptional and acquisition-related items	(49)	(52)				
EBIT [5]	**184**	**181**				
Adjusted EBIT margin [2]						
By division						
Apparel	17.5%	16.0%	16.0%	150bps	150bps	150bps
Footwear	22.8%	22.7%	22.7%	10bps	10bps	430bps
Performance Materials	8.6%	8.1%	7.9%	50bps	60bps	60bps
Total	**16.7%**	**15.1%**	**15.1%**	**160bps**	**160bps**	**190bps**

1 Constant Exchange Rate (CER) are 2022 results restated at 2023 exchange rates.
2 On an adjusted basis which excludes exceptional and acquisition-related items.
3 Organic figures are results on a CER basis, and only includes like-for-like contributions from Texon and Rhenoflex post their respective acquisition dates.
4 2022 restated for the disposal of the European Zips business, which is now shown as a discontinued operation. This has resulted in a reduction in previously reported 2022 revenues of $46 million and $2 million adjusted EBIT.
5 EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.

2023 Operating Results Overview

Group revenue of $1,394 million decreased 9% on a reported basis, 6% on a CER basis, and 14% on an organic basis. There was an improving trend through the year with H1 organic revenues down 19% vs 2022, and H2 revenues down 10%. The organic revenue decline for the full year, against a very strong prior year comparator, reflects the continuation of the widespread industry destocking in Apparel and Footwear. In addition, there was the previously disclosed customer contract in-sourcing and certain customer phasing issues in US end markets in Performance Materials. The improving Group trend in the second half of the year was primarily driven by signs of the anticipated gradual recovery in Apparel. Destocking commenced later in Footwear, and here the recovery is lagging that of Apparel.

Group adjusted EBIT of $233 million increased by 4% on a CER basis (2022: $225 million CER), despite market headwinds on the top line, with adjusted EBIT margins up 160bps to 16.7% (2022: 15.1%). We are pleased that our 2024 Group adjusted EBIT margin target of 17% was delivered during the second half of the year. The year-on-year increase in adjusted EBIT margins reflect the impact of lower volumes due to market conditions being more than offset by some input cost deflation (whilst maintaining pricing) and the ongoing accelerated benefits from strategic projects and integration synergies, as well as strict cost discipline. On a reported basis EBIT was $184 million (2022: $181 million), after $49 million of exceptional and acquisition-related items (2022: $52 million) which predominantly related to the execution of our strategic projects and 2022 footwear acquisitions.

Adjusted earnings per share ('EPS') were unchanged at 8.0 cents (2022: 8.0 cents) despite market conditions and rising interest rates. As reported above, there was a significant year-on-year increase in the Group adjusted EBIT margin, alongside tight management of our interest costs and tax charge, with a reduction in minority interest payments. Reported EPS of 5.2 cents (2022: 4.8 cents) was 7% higher, also including the impact of exceptional and acquisition-related items.

Our Group cash performance remained strong with adjusted free cash flow of $131 million (2022: $114 million), as we focused on margins and cash generation. Our Balance Sheet remains in a strong position, with net debt (excluding lease liabilities) of $384 million (2022: $394 million), with leverage of 1.5x (2022: 1.4x on a proforma basis).

Revised Divisional Reporting from 1 January 2023

As a result of the 2022 acquisitions of Texon and Rhenoflex, our new organisational and reporting structure, effective 1 January 2023, is comprised of three divisions (segments): Apparel, Footwear and Performance Materials. The Footwear division consists of the existing Coats footwear thread business (formerly part of Apparel & Footwear), and the acquired footwear components businesses, Texon and Rhenoflex.

As announced at our 2022 Capital Markets Day, the medium-term sales growth CAGR for the new operating divisions are anticipated to be 3-4% for Apparel, c.8% for Footwear, and 6-9% for Performance Materials, resulting in medium-term Group growth of c.6%. The target for the Group 2024 adjusted EBIT margin is c.17%, comprising 15-16% for Apparel, >20% for Footwear, and 13-14% for Performance Materials. As noted

Operating review cont.

above, we are pleased to report that we have already delivered our 2024 Group adjusted EBIT margin target during the second half of 2023.

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 and services, and our portfolio of world-class products and services exist to serve the needs and requirements of our customers and brand owners.

Revenue of $689 million (2022: $818 million) was down 12% on a CER basis (16% reported). As anticipated, revenue was lower year-on-year, against a very strong prior year comparator, and reflected the continuation of widespread industry destocking, after a surge of post-COVID inventory restocking in H1 2022, as well as buffer-buying due to supply chain disruption. We have seen improving trends through the year as it is clear the destocking period is largely over, as customer inventory levels normalise, with early but encouraging order trends now evident.

Despite challenging market conditions, the Apparel business benefited from market share gains, with an increase in our estimated market share by c.200bps to c.25%. We were also able to maintain pricing, and 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.

Our proactive procurement strategy has put us in a good position to benefit from raw material price moderation. The focus on material transition to recycled products has helped to scale our recycled product offering and minimise cost premiums associated with these products. This, alongside our agile supply chain network, has enabled us to help our customers and brands achieve their sustainability goals, helping us take market share and maintain prices.

With market conditions expected to continue to gradually improve, our strong market position, global presence, differentiation and focus on leading brands provide further opportunities for growth and market share gains.

Adjusted EBIT of $120 million (2022: $130 million) decreased 4% vs the prior year on a CER basis, significantly less than the overall revenue decline. The adjusted EBIT margin was 150bps higher at 17.5% on a CER basis (2022: 16.0%), already slightly ahead of our 2024 margin target. Savings from our self-help actions, including strategic projects, and procurement benefits more than offset the adverse impact from lower sales volumes.

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.

Despite continued industry destocking, Footwear benefited from market share gains. We increased our estimated market share by c.200bps to c.27% for threads and structural components combined. Customer pricing also remained robust, even as some input costs began to moderate. We have been realising the benefits of the Texon and Rhenoflex acquisitions, with commercial opportunities being pursued. In challenging market conditions, our leading global position has allowed us to leverage the strength of our customer relationships and market leading product ranges.

Footwear revenue increased 24% to $368 million (2022: $300 million) on a CER basis (23% reported), which includes contributions from Texon and Rhenoflex post their respective acquisition dates in July and August 2022. This was against a very strong prior year comparator and included an adverse impact from the continuation of widespread industry destocking that commenced in Q4 2022. Excluding the pre-acquisition contribution from Texon and Rhenoflex, organic revenue decreased 16%. Encouragingly, we believe the industry destocking cycle is largely complete, as customer inventory levels normalise, and we expect to see signs of a gradual volume recovery during 2024, although lagging the Apparel recovery.

Despite the market headwinds, we continued to deliver share gains and programme wins, reflecting our position as a trusted partner with our global accounts programme, in which we dedicate resources to key brands and retailers.

The athleisure, performance and sports markets within Footwear continue to be attractive. Supplier consolidation and nearshoring, including China de-risking, are becoming prominent trends, with brands also placing increasing emphasis on sustainability and innovation. With market conditions expected to gradually improve in 2024, these important, longer-term trends provide Footwear with further opportunities for growth and share gain.

Adjusted EBIT was $84 million with adjusted EBIT margins up 10bps to 22.8% despite significantly lower sales volumes and the initial dilutive impact of the acquisitions. As a result, our 2024 margin target for the Footwear Division has been reached, a year earlier than planned. The acquisitions of Texon and Rhenoflex remain on track to be accretive, post-synergies. On a proforma basis, including the pre-acquisition contribution of the July and August 2022 acquisitions, margins were up 510bps year-on-year. This is as a result of strong commercial delivery in a difficult market environment, pricing benefits being maintained in the context of some lower input costs, the delivery of acquisition-related synergies and general cost discipline. Acquisition integration has so far focused on commercial and general & administrative costs, as well as on procurement, delivering $16 million of efficiency savings by the end of the year ($19 million annualised). This is ahead of our initial guidance ($11 million savings by 2024).

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 thread, we incorporate specific design features to provide highly engineered solutions for our customers. The division operates across Personal Protection, Composites and Performance Threads. Personal Protection offers multi-hazard industrial applications for industrial, energy, firefighting and military wear. Composites provides products and solutions for fibre optic cables and oil & gas piping sectors, and light weighting solutions for automotive components. Performance Threads has applications in a range of sewn products including safety-critical automotive airbags and seat belts, outdoor

Operating review cont.

goods, household products like bedding and furniture, hygiene-sensitive consumer goods like feminine hygiene products and tea bags.

The Group discloses three PM sub-segments: Personal Protection (38% of 2023 divisional revenue), Composites (18% of 2023 divisional revenue) and Performance Thread (44% of 2023 divisional revenue). Medium-term revenue growth expected for each sub-segment are high single digits for Personal Protection, low double-digits for Composites, and growth in line with global GDP for Performance Threads. The overall medium-term growth target for the division is a 6-9% growth CAGR.

PM revenue declined 17% to $336 million in 2023 (2022: $420 million) on an organic and CER basis (20% on a reported basis), with Personal Protection decreasing by 25% on a CER basis, Composites decreasing by 21% (CER) and Performance Threads lower by 6% (CER). The largest factor driving the decrease was the insourcing of production by a large US customer in personal protection, which resulted in $30 million lower revenue compared to 2022. There was previously disclosed customer phasing issues in some US markets as well as destocking at some US telecommunication customers in Composites.

Despite market conditions, there were significant new customer wins across PM's sub-segments. These included gains at two large US Personal Protection manufacturers and a global agreement with a large cable manufacturer in the Composites subsegment. Within Performance Threads there were new contract wins at two premium automotive OEMs and a tier 1 supplier, as well as at a global feminine hygiene product manufacturer.

Adjusted EBIT was 10% lower vs 2022 on an organic and CER basis at $29 million (2022: $34 million), reflecting the significantly lower sales volumes. However, adjusted EBIT margins increased on an organic and CER basis by 60 bps to 8.6% (2022: 8.1%) due to the contribution of strategic project savings, recovery in EMEA margins (following a temporary supply issue last year), and self-help actions. PM margins included c.$5 million of duplicate running costs in relation to the US / Mexico plant transitions. Excluding these costs, PM margins were 190bps higher at 10.0%.

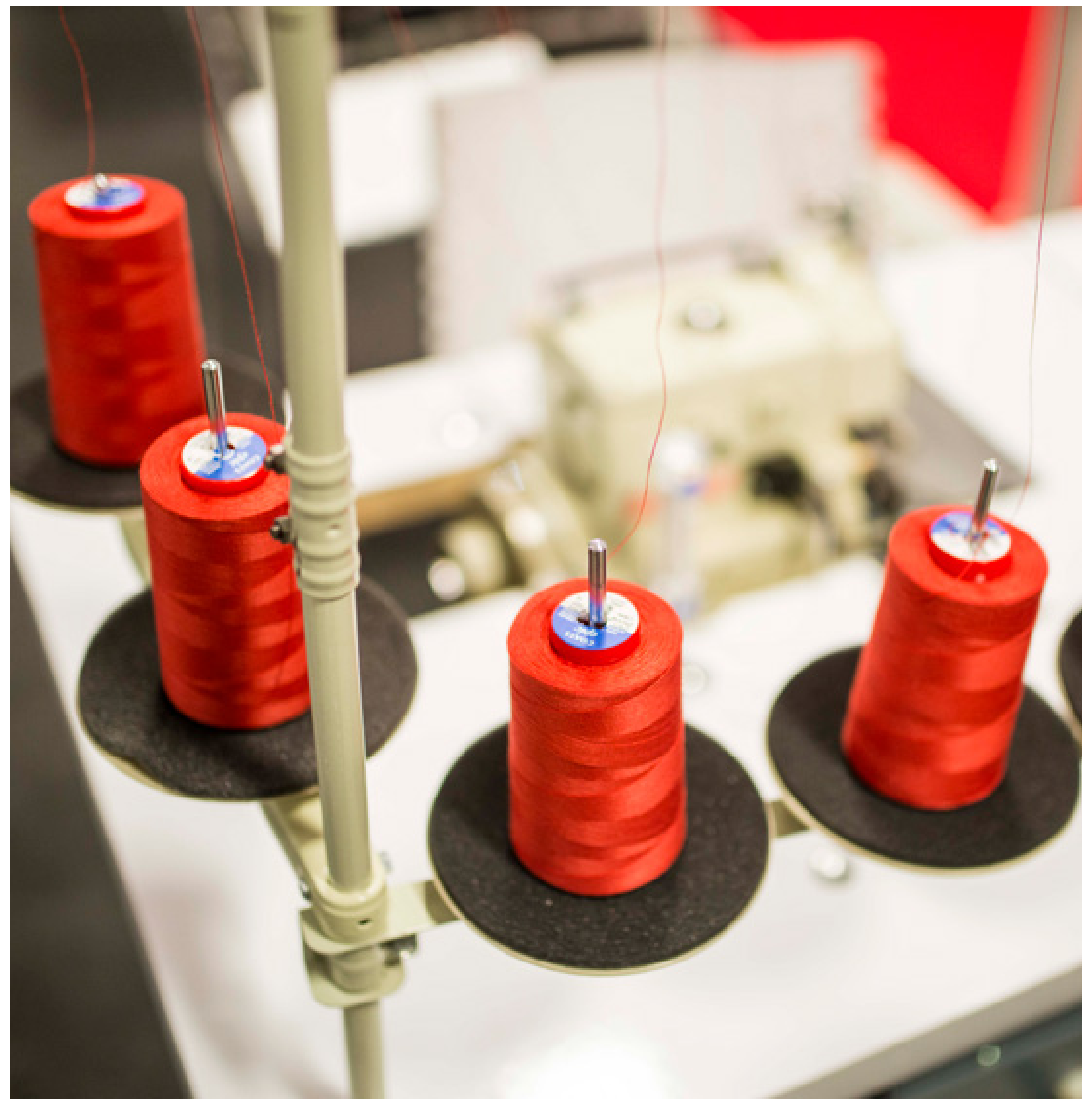
Geographical Performance

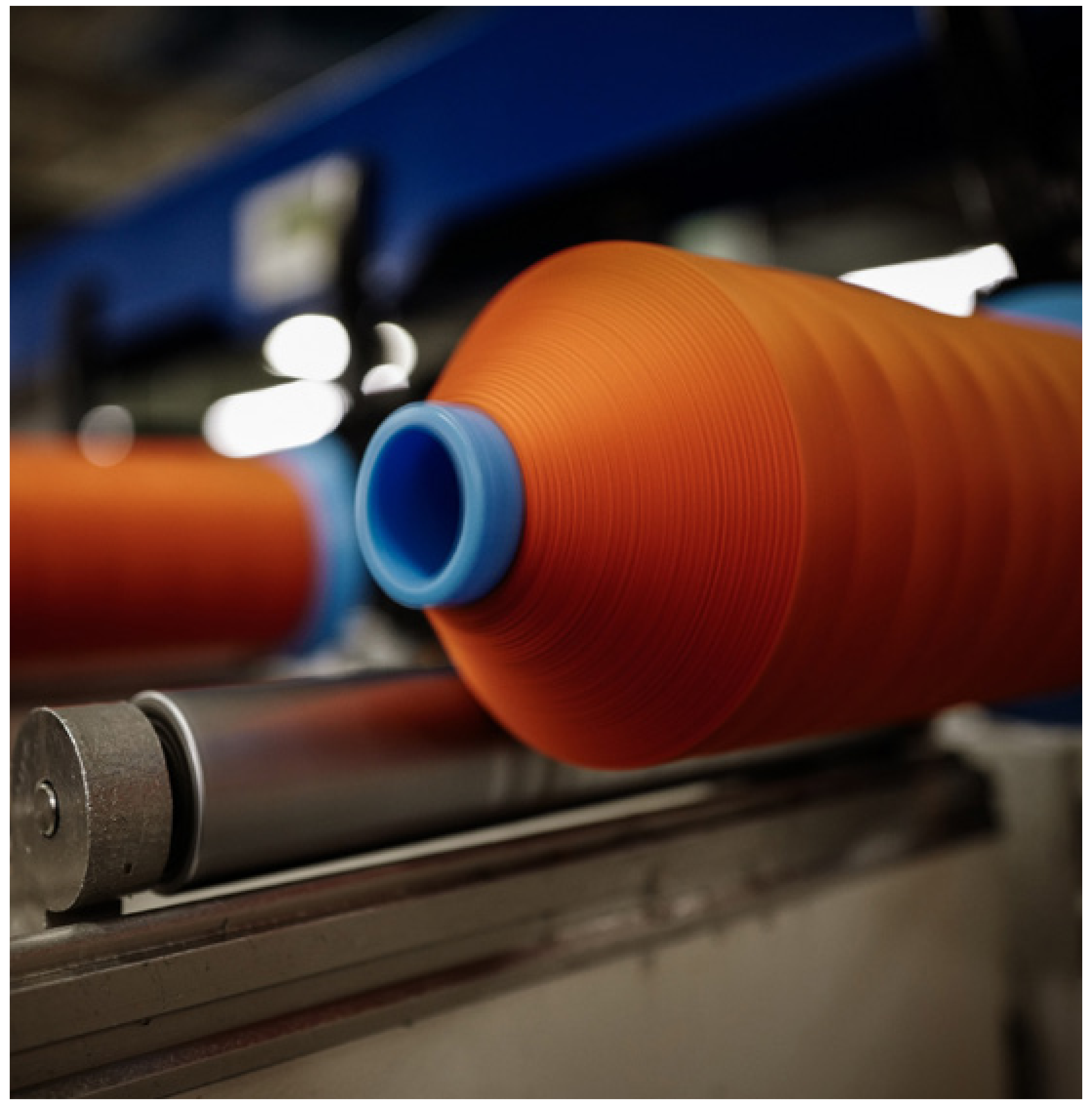
In line with divisional performance, there was a year-on-year revenue decline on a CER organic basis in all geographic regions, due to the market headwinds. However, there were improving trends in Asia and EMEA during the second half of the year.

Asia revenue, 59% (2022: 59%) of Group, decreased 8% CER to $823 million (2022: $912 million), which included a 5% points contribution from the acquisitions made in H2 2022. All key Asian markets were impacted by the large scale industry destocking in the Apparel and Footwear divisions although, as noted earlier, we are starting to see early encouraging signs of a gradual recovery within Apparel.

Our Americas revenue, 18% (2022: 22%) of Group, decreased 28% CER to $246 million (2022: $341 million). All key markets were impacted by the challenging market conditions in 2023, although with comparatively more solid performances in Colombia and Mexico. The US was also impacted by customer insourcing of a significant PM contract in H2 2022, and certain customer phasing issues in US end markets in Performance Materials.

In EMEA, 23% (2022: 19%) of Group, revenue increased 26% CER to $325 million (2022: $285 million), which included a 28% contribution from the Texon and Rhenoflex acquisitions. Excluding acquisitions, performance was driven by positive momentum in PM in telecommunication composites and transportation, as fibre optic sales remained robust in EMEA. The Organic revenue decline of 2% also benefited from the weakening Turkish Lira, as we continue to price largely in US Dollars, and pass on the significant local currency devaluation.





Financial review

Revenues

Group revenue from continuing operations decreased 9% on a reported basis and 6% on a CER basis. On an organic basis revenue decreased 14%, which includes like-for-like contributions from Texon and Rhenoflex post their respective acquisition dates. All commentary below is on an organic basis unless otherwise stated.

Operating profit

At a Group level, adjusted EBIT from continuing operations was maintained year-on-year at $233 million and adjusted EBIT margins increased 160bps to 16.7%, despite ongoing market headwinds. The table sets out the movement in adjusted EBIT during the year.

	$m	Margin %
2022 adjusted EBIT	**233**	**15.1%**
Volumes impact (direct and indirect)	(106)	
Price/mix	18	
Raw material deflation	19	
Freight deflation	6	
Other cost inflation (e.g. labour, energy)	(31)	
Productivity benefits (manufacturing and sourcing)	33	
Strategic projects savings	37	
Other SD&A savings	8	
Others (e.g. FX)	1	
Texon and Rhenoflex synergies	15	
2023 adjusted EBIT	**233**	**16.7%**
Exceptional and acquisition related items	(49)	
2023 reported EBIT	**184**	

There were significant volume headwinds as a result of widespread industry destocking in the Apparel and Footwear businesses, as well as the adverse impact of the customer contract in-sourcing and end market phasing impacts in the US in Performance Materials. 2023 performance is also measured against very strong prior year revenue comparators, as there was a continued post-COVID demand surge (driving supply chain overstocking) particularly during the first half of 2022. From the second half of 2022, as anticipated, there was a slow-down in demand due to destocking in Apparel and then Footwear. The direct and indirect volume impact of this, together with the very strong 2022 comparators (particularly in H1), resulted in significant direct and indirect volume headwinds. These headwinds have been gradually receding in the second half in Apparel, with evidence that we are largely through the widespread destocking in our markets of the last c.18 months.

Our proactive approach to pricing during 2021 and 2022, when inflationary pressures accelerated at unprecedented levels, has meant that we have continued to see roll-over pricing gains year-on-year, although the impact of pricing has been broadly neutral in the second half. We have started to see an easing of some key raw material input and freight costs during the latter part of 2022, and this has continued through 2023. The favourable impact from this has acted as a partial offset to some of the volume impacts in the year.

Selling, Distribution and Administration (SD&A) costs are below last year, despite ongoing inflationary impacts in some areas, as we controlled our costs in challenging market conditions. We have also benefited from a further $37 million of efficiency savings (total savings to date are $57 million, including $20 million delivered in 2022), in relation to our strategic projects announced in March 2022, with the expected savings accelerated. Since these projects began, we have increased the total savings we expect to deliver by 2024 to $70 million (from $50 million) through expanding the scope of the projects, with a focus on our Asian operations.

Our 2022 acquisitions, Texon and Rhenoflex, delivered a total of $16 million of synergy benefits by the end of the year ($15 million incremental benefits in 2023). These acquisitions have experienced similar industry destocking headwinds as the wider Apparel and Footwear businesses, and we have delivered accelerated integration synergies in response, as an underpin to performance. Total annualised synergies are $19 million (original expectations of $11 million in 2024).

The Group's adjusted EBIT margins increased by 160bps to 16.7% on a CER basis (2022: 15.1%), with the impact of the year-on-year volume declines being offset by the benefits of controllable factors.

On a reported basis, Group EBIT, including exceptional and acquisition-related items, increased to $184 million (2022: $181 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. For the year, this was a headwind of 3% on revenue and adjusted EBIT. As previously announced, these adverse translation impacts were primarily due to the previous adoption of hyperinflation accounting in Turkey which saw significant depreciation towards the end of the half. 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, Egyptian and Pakistan currencies. At latest exchange rates, we expect a minimal impact on revenue and adjusted EBIT for 2024 (excluding any future hyperinflation impact in Turkey, which cannot be forecasted with accuracy).

Non-operating results

Adjusted EPS was maintained year-on-year at 8.0 cents (2022: 8.0 cents), despite market headwinds. Within this, adjusted EBIT was unchanged year-on-year at $233 million, at significantly increased margins. Interest costs were slightly lower, despite rising interest rates and increased debt in H2 2022 to fund the Footwear acquisitions. Our effective tax rate reduced to 29% (2022: 30%), and there were lower minority interest payments. Reported EPS of 5.2 cents (2022: 4.8 cents) was 7% higher year-on-year, after exceptional and acquisition related items.

Net finance costs decreased slightly to $29 million (pre-exceptional) (2022: $30 million), despite rising interest rates and the full year impact of the 2022 acquisition-related debt.

Key increases to the interest charge were:

- An increase in interest on bank borrowings due to increasing rates on floating debt of $4 million;
- Additional interest of $8 million on the $240 million acquisition facility taken out in July 2022 to fund the Texon acquisition.

Financial review cont.

Offsetting this were some significant decreases:

- A $6 million favourable movement on foreign exchange, largely as a result of Sterling strengthening during the period, where we hedge a number of costs and cash flows;
- A $5 million decrease in interest on pension scheme liabilities, as a result of an IAS19 pension surplus at 31 December 2022.

The adjusted taxation charge for the period was $58 million (2022: $60 million). Excluding the impact of exceptional and acquisition-related items, the effective tax rate on pre-tax profit reduced to 29% (2022: 30%). The reported tax rate was 35% (2022: 37%), after exceptional and acquisition related items.

Profit attributable to minority interests is predominantly related to Coats' operations in Vietnam and Bangladesh, in which it has controlling interests. These primarily operate in Apparel and Footwear markets and were exposed to the wider industry destocking in the year. Profit attributable to minority interests decreased to $18 million (2022: $22 million).

Exceptional and acquisition-related items

Net exceptional and acquisition-related items before taxation were $49 million (2022: $53 million). These include strategic project costs of $18 million (net of a $6 million property profit), and other acquisition-related items of $21 million.

Strategic project costs of $18 million relate to the strategic initiatives commenced during 2022; and primarily consist of severance costs of $11 million, legal / advisor / closure costs of $7 million, non-cash impairments of $6 million, offset by a profit of $6 million from the sale of property. These costs have supported the acceleration of project benefits, with $37 million of incremental adjusted EBIT delivered in the year (with $57 million incremental savings on the projects to date).

$6 million of costs have been incurred in relation to the delivery of acquisition-related synergies which, as mentioned above, are ahead of expectation, with a total of $16 million of savings now delivered since acquisition ($19 million annualised).

Other acquisition-related items of $21 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.

Discontinued items

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 subsequently completed on 31 August 2023.

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 is presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023, together with a loss on disposal of $27 million.

Amounts for year ended 31 December 2022 in the consolidated income statement have been represented accordingly to reclassify the results of the European Zips business from continuing operations to discontinued operations. Note 13 provides further details of the sale. This has resulted in a reduction in previously reported 2022 revenues of $46 million and $2 million adjusted EBIT.

Cash flow

The Group delivered strong $131 million (2022: $114 million) adjusted free cash flow from continuing operations, driven by a working capital inflow, in part reflecting a focus on cash generation through the destocking cycle. Adjusted free cash flow is measured before annual pension deficit recovery payments, acquisitions, disposals and dividends, and excludes exceptional items.

We have managed net working capital closely, with a focus on inventory, 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 $31 million (2022: $34 million), as we continued to maintain a selective approach to investing in growth opportunities, as well as in strategic projects, which will favourably impact long-term returns. We anticipate 2024 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. However, this level of investment will remain dependent on the demand recovery profile during the year.

Minority dividends of $20 million (2022: $18 million) were paid, as cash was repatriated from those relevant overseas entities to the Group. Tax paid was $61 million (2022: $55 million). Interest paid was $34 million (2022: $25 million) reflective of higher interest rates and the acquisition debt taken out in H2 2022.

The Group delivered an overall free cash inflow of $15 million (2022: $247 million outflow). This primarily reflects the adjusted free cash inflow of $131 million, offset by:

- UK pension deficit repair payments (including administrative expenses) of $49 million, which includes the accelerated £10 million payment made in December to secure the switch off of ongoing contributions;
- Exceptional and acquisition related payments, mainly relating to strategic projects of $13 million;
- Payments to purchase own shares (via our Employee Benefits Trust) to fund management share schemes of $10 million;
- Discontinued operations (EMEA Zips) $5 million;
- Dividend payments of $40 million.

Net debt (excluding lease liabilities) at 31 December 2023 was $384 million (31 December 2022: $394 million). Including lease liabilities, net debt was $471 million (31 December 2022: $500 million).

Pensions and other post-employment benefits

The pre-tax surplus for the Group's retirement and other post-employment defined benefit liabilities (UK and other Group schemes), on an IAS 19 financial reporting basis, was $63 million at 31 December 2023, which was $7 million lower than 31 December 2022 ($70 million surplus). This decrease was primarily due to movements on the UK scheme.

The Coats UK Pension Scheme, which is a key constituent of the Group defined benefit liabilities, had a surplus on an IAS 19 basis at 31 December 2023 of $102 million (31 December 2022: $118 million). The decrease in the surplus during the year ended 31 December 2023 of $15 million predominantly relates to net actuarial losses of $72 million. This was offset by employer contributions (excluding administrative expenses) of $43 million, a reduction in withholding tax and foreign exchange translation movements.

Financial review cont.

UK funding update

We continue to maintain strong and collaborative relations with the Scheme Trustees around strategic planning and have established a joint working group between the Company and Trustees to review further opportunities for de-risking the scheme, beyond the significant positive progress that has already taken place. This included the successful partial buy-in transaction with Aviva, representing full insurance of the benefits of c.20% of the scheme liabilities in December 2022.

The Aviva buy-in is consistent with Coats' medium-term aspiration of fully insuring the Scheme and removing it from the Group balance sheet, in a cost effective manner.

When the Technical Provisions (funding) deficit for the Scheme was last formally assessed at 31 March 2021, as part of the triennial valuation cycle, it showed a £193 million deficit. As a result of this valuation, future contributions were maintained at the previously agreed levels of £22 million ($27 million) per annum (indexing) up until 2028. The Group agreed to continue to pay the Scheme administrative expenses and levies of around $5 million per annum.

Updates since then have confirmed that the funding deficit has fallen significantly and is now fully funded on a technical provisions basis. This significant improvement has been due to ongoing employer contributions, favourable movements in the market (increasing discount rates) and the de-risking actions that we and the Trustees have taken, for example the buy-in transaction referred to above.

As a result of this significantly improved funding position, and reflective of the collaborative working relationship with the Trustees, in early 2023 we agreed a mechanism to switch off / switch on the regular cash contributions to the scheme based on monthly estimates of the latest funding position. Further to this switch off / switch on agreement and further improvements in the funding position during the year, in December 2023, the Group agreed to pay the scheme a one-off lump sum payment of £10 million ($13 million) to move it into an expected surplus position against the technical provisions funding basis and enable the switch off threshold to be comfortably met.

This agreement will result in a free cash flow benefit of £2 million ($2.5 million) per month while the payments remain switched off. The deficit repair payments will remain switched off so long as the scheme's assets remain above 99% of its technical provisions.

Balance sheet and liquidity

Group net debt (excluding lease liabilities) at 31 December 2023 was $384 million ($471 million including lease liabilities), a reduction on 31 December 2022 ($394 million). This reduction reflects strong and disciplined cash management as noted above, offset by acquisition-related items, ongoing pension deficit repair payments, exceptional cash costs in relation to strategic projects, cash spent on Employee Benefit Trust share purchases and shareholder dividends.

The Texon acquisition, which was completed in July 2022, was funded by a $240 million temporary acquisition facility. As previously announced, in January 2023, we refinanced this acquisition facility via the US Private Placement (USPP) market with $250 million of notes split between 5 and 7 years tenor at highly competitive interest rates (between 5.3% and 5.4%). This maintains our total committed debt facilities at $835 million with well diversified source and tenor; being $360 million revolving credit facility, $225 million of original USPP notes (2024 and 2027 tenors), as well as the new $250 million of USPP notes (2028 and 2030 tenors). The committed headroom on our banking facilities was approximately $315 million at 31 December 2023.

At 31 December 2023, our leverage ratio (net debt to EBITDA; both excluding lease liabilities) was 1.5x (2022: 1.4x on a proforma basis) and 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 2023 which was 8.2x, with a covenant limit of 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 2025, 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

Rajiv Sharma
Group Chief Executive

6 March 2024

Chair's introduction to governance

David Gosnell

Chair

> "I am delighted to introduce the Governance report, which sets out further information regarding the governance structures that we have in place and also provides more details of how we have complied with the UK 2018 Corporate Governance Code."

HIGHLIGHTS FOR 2023:

Board oversight of transforming the business

The Board continues to take its responsibility for the long-term sustainable success of the Company very seriously, to ensure the generation of value for our stakeholders. Against a continued economically challenging and geopolitically volatile backdrop, the Board has focussed on ensuring the business is well positioned to deliver against its strategic plan. This has been achieved by the Board monitoring the integration of the new divisional structure, in particular verifying that the correct structures are in place to ensure compliance with internal and external controls and risk management requirements, reviewing the talent pool and discussing optimal asset utilisation to maintain efficiency in both how and where we conduct our business operations (read more about these in the Audit and Risk Committee report, the Nomination Committee report and on page 75). In addition to receiving divisional deep dives, the Board has also approved the divestment of certain parts of the business that were not aligned with the current strategy, including the Madagascar and Mauritius business units and European Zips.

Board succession, DE&I and ESG

Ahead of the planned retirement of Nicholas Bull, I was delighted to welcome Sarah Highfield to the Board in November 2023. Sarah joined as a Non-Executive Director, member of the Nomination Committee and as Chair Designate of the Audit and Risk Committee. Sarah will succeed Nicholas as Chair of that Committee following him stepping down from the Board at end of the 2024 AGM. Sarah also became a member of the Sustainability Committee on 1 January 2024. In November 2023, we also announced that Steve Murray, Non-Executive Director, would succeed Nicholas as Senior Independent Director. Nicholas has been overseeing appropriate handovers for these very important roles to ensure a smooth transition.

Additionally, Nicholas, in his role as Senior Independent Director, together with Steve Murray, acting as incoming Senior Independent Director, has led the consultation process that preceded the proposal to extend my tenure as a Director and Chair, as set out in the Notice of AGM. I have served as a Director on the Coats Board for nine years and, in line with provision 19 of the 2018 UK Corporate Governance Code (Code), the Nomination Committee has determined that it is appropriate to seek shareholder approval to extend the term of my appointment for a period for up to three years, noting that I have only served as Chair from May 2021, and

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.

in light of the changing composition of the Board and the recent significant changes in the Group including the footwear acquisitions, the implementation of the strategic projects and the further de-risking of the pension scheme. You can find full details of the process that has been undertaken in the Nomination Committee report on page 86 and in the Notice of AGM.

The Board has tracked progress against the internally and externally set diversity targets at each Board meeting as part of the overall tracking of all our ESG-related ambitions. Several updates were also provided on the 'Coats for All' and 'Coats for Her' initiatives, as well as more general People and development-related items to ensure the appropriate cultivation of talent in the business. In line with the most recent request made by the Parker Review, in December 2023 the Board also considered and approved the proposal to introduce an ethnicity target percentage to be achieved by 2027. I am proud of the stretching target agreed that commits the Group to maintaining circa 50% ethnic diversity in our senior leadership team, while recognising that periods of change in the composition of senior leadership may result in temporary periods when this balance is not achieved. You can read more about these succession planning processes and our Parker Review diversity target, as well as the other succession and diversity-related items considered by the Nomination Committee in 2023, in the Nomination Committee Report from page 85.

Sustainability at Coats, including climate-related governance, is led by the Board, 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 73).

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**). You can also review our report on our compliance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations from page 181.

>15,000 PERMANENT EMPLOYEES SPREAD ACROSS 50+ COUNTRIES

Culture including Great Place To Work®

Setting, monitoring and, where necessary, correcting the culture within the Group is an integral part of the Board's responsibilities and one that is taken very seriously. The Board monitors cultural 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. I was delighted that our culture, ways of working and focus on People was recognised when Coats was included in the list of the 25 World's Best Workplaces™ 2023. You can read more about the Board and culture on page 75.

Stakeholder engagement

We value the views of all our stakeholders: their views help the Board make better informed decisions to deliver long-term sustainable success. This year, the Board focussed on ensuring the new operating model was meeting stakeholder needs as well as ensuring the business was well positioned going forward. You can read more about how the Board engaged, and what it learned, from page 46.

Board evaluation

Following last year's externally facilitated review of effectiveness, the Board and its Committees undertook an internal review in 2023. This review probed the outcomes of previous reviews to ensure that suitable progress had been achieved as well as identifying areas for focus in 2024. I also continued our process of 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. The Board was satisfied with its own performance and with all Board members' performances rating positively. The Board's composition and succession planning were considered appropriate, noting the focus on these areas in 2023. You can read more about these areas on page 77 and in the individual Committee reports.

David Gosnell
Chair

6 March 2024

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 2023.

A summary of how we have applied the principles set out in the Code is presented in the table on page 66.

Corporate governance report

Stakeholders key

CUSTOMERS
ENVIRONMENT
SHAREHOLDERS
COMMUNITIES
EMPLOYEES
SUPPLIERS

HOW GOVERNANCE SUPPORTS STRATEGY

Strategic goal		
ACCELERATE PROFITABLE SALES GROWTH	**TRANSFORM THE BUSINESS**	**CREATE VALUE**
Read more on page 17	Read more on page 17	Read more on page 17
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 2023	
Strategy	– Annual strategy day focussing on key strategic matters including China, India, review of asset utilisation and AI. – Regularly reviewed performance against strategy. – Reviewed Group's tax strategy and policy. – Carried out deep-dives into each division including 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. – Consideration and approval of divestments – including Madagascar and Mauritius business units and European Zips – and review of potential M&A pipeline. – Reviewed funding levels of UK Pension Scheme and approved payment of lump sum to enable 'switch off' of monthly pension deficit repair payments. – Updates on Strategic Projects.
Operational	– Update on markets and divisional performance presented at every meeting. – Reviewed, approved and regularly monitored annual operating plan and Medium Term Plan. – Regularly reviewed and approved the Group's M&A and business development activities, reorganisations and various other projects	– Review of cyber security arrangements. – 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 work force engagement, culture and results of the 'Your voice matters' survey.	– Review succession planning and talent strategy, including updates on 'Coats for All' and 'Coats for Her' at both Board and Nomination Committee meetings. – Deep-dive into talent pools for below-GET level succession including reviews of diversity and suggestions for development opportunities.
Governance	– Approved appointment of Sarah Highfield as Non-Executive Director and Chair Designate of the Audit and Risk Committee and also approved appointment of Steve Murray as Senior Independent Director Designate. – Review of interactions with investors at every Board meeting. – Quarterly whistleblowing and fraud report reviews and consideration of outcomes and recommendations from external review of whistleblowing policy and procedures. – Deep dive into each division's internal controls and risk management processes at the Audit and Risk Committee.	– Review of 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. – Review and approval of key Board and Group policies including Modern Slavery, Human Rights and Board diversity policy. – Review of 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.

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.

Read about the succession process for identifying the new Senior Independent Director on page 85

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.

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 68 for examples of discussions of key strategic topics at Board meetings in 2023.

AUDIT AND RISK COMMITTEE

See page 79 for more information.

NOMINATION COMMITTEE

See page 85 for more information.

REMUNERATION COMMITTEE

See page 88 for more information.

SUSTAINABILITY COMMITTEE

See page 73 for more information.

GROUP CEO

See biography on page 70.

- Responsible for Executive Management of the Group as a whole.
- Leads the GET (see page 78).
- Delivers strategic and commercial objectives within the perimeters agreed by the Board and within the Board's stated risk appetite (see page 52 for more details on key risks).
- Builds positive relationships with all the Group's stakeholders (see page 46).

CHIEF FINANCIAL OFFICER

See biography on page 70.

- 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.

Board of Directors as at 31 December 2023

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

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 85 and an overview of the activities of the Sustainability Committee on page 73.

Rajiv Sharma

Group CEO

Singaporean

Appointed as an Executive Director in March 2015, Group CEO since 1 January 2017

Key skills and experience

- 30 years' global multi-industry leadership experience
- Growth, digital, sustainability and acquisitions track record

Previous experience and external appointments

Non-Executive Director of Senior plc. Rajiv joined Coats in November 2010 as Global CEO Industrial and was responsible for developing and executing a growth strategy. He has lived and worked in the US, Europe and Asia.

Rajiv has been on the board of joint ventures at both GE and Shell and held management positions with Saab, Honeywell, GE and Shell.

Qualifications

Rajiv holds a degree in Mechanical Engineering, as well as an MBA from the University of Pittsburgh, USA.

See the Group CEO's statement on page 7.

Jackie Callaway

Chief Financial Officer

New Zealander

Appointed as an Executive Director on 1 December 2020, 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.

Board of Directors cont.

Key to Committee memberships

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

Nicholas Bull

Senior Independent Non-Executive Director

British

Appointed as a Non-Executive Director and Senior Independent Director on 10 April 2015

Key skills and experience

- Global financial services and banking experience
- International business experience and insights, especially in China
- Advocate for ESG and SRI matters at the Board

External appointments

Deputy Chair of CHL 2022 Ltd, Trustee of the Design Museum, Camborne School of Mines Trust, The Creative Education Trust and the Conran Foundation and a member of the Advisory Panel of INTO University. Previously served as Chair of Fidelity China Special Situations plc, Chair of De Vere, Chair of the Advisory Board of Westhouse Securities and of Smith's Corporate Advisory Limited and a member of Council of the University of Exeter. Nicholas had a global career in banking with Morgan Grenfell (subsequently Deutsche Bank), Société Générale and ABN AMRO.

Qualifications

Nicholas has a BSc in Chemistry from the University of Exeter and is a Fellow of the Institute of Chartered Accountants in England and Wales. He received an Honorary Doctorate of Law from the University of Exeter in 2022.

Nicholas was appointed as Chair of the Audit and Risk Committee on 19 May 2022 and he will step down from the Board at the conclusion of the 2024 AGM. Nicholas brings extensive financial experience through his previous roles with Fidelity China Special Situations plc, De Vere Group Limited, Morgan Grenfell, Société Générale and ABN Amro.

See the Audit and Risk Committee report on page 79.

Sarah Highfield

Independent Non-Executive Director

British

Appointed as a Non-Executive Director on 1 November 2023

Key skills and experience

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

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 Chair Designate of the Audit and Risk Committee on 1 November 2023 and will succeed Nicholas Bull as Chair at the conclusion of the 2024 AGM.

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

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 88.

Board of Directors cont.

Key to Committee memberships

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

Steve Murray

Independent Non-Executive Director
British
Appointed 1 September 2022

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

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.

Steve will succeed Nicholas Bull as Senior Independent Director at the conclusion of the 2024 AGM.

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

External appointments

Non-Executive Director of Vera Bradley Inc., Sea Bags and Totes Isotoner. 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 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.

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

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.

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 79 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 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 85 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 88 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, and during 2023 its other members were the Group CEO and two Non-Executive Directors. From 1 January 2024, the Committee membership will comprise the Group CEO, three Non-Executive Directors, the Divisional CEOs and the Group Sustainability Director. David will continue to act as Chair.

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

The Committee met twice during 2023 and conducted an internal evaluation, which concluded it was working effectively with suggestions made for the 2024 workplan including increasing the frequency of meetings. See the Working Responsibly section of this Annual Report and the **Sustainability Report**, available from **www.coats.com/sustainability**, for more information.

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 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 Group Executive Team.

See page 78 for information on our Group Executive Team.

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 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 and is committed to ensuring that the Board comprises a majority of independent Non-Executive Directors who maintain constructive and challenging debate in the Boardroom. As set out in the Notice of AGM, an extension to the term of appointment of David Gosnell has been proposed to shareholders. You can read more about this in the Nomination Committee report on page 86. There are currently nine Directors of the Company: the Chair, the Senior Independent Director, five Independent Non-Executive Directors and two Executive Directors. The Board considers that all its Non-Executive Directors continue to demonstrate independence.

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 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 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 94. These documents are available for inspection at the registered office of the Company during normal business hours and at the AGM venue. These documents are 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 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.

THE BOARD AND CULTURE

Our purpose is to connect talent, textiles and technology. We have identified three strategic priorities to achieve our goals and support our purpose: accelerate profitable sales growth; transform the business; and create value. To create the conditions to achieve our strategy and our purpose, Coats has a culture characterised by its values that are manifested by its people everywhere in the business. These values include collaboration, agility, a 'can do' attitude, passion and diversity.

In January 2023, we introduced a new operating model. Accordingly, the Group's governance structure and ways of working had to be reviewed and monitored, to ensure that there was a clear and uniform decision-making framework embedded in our divisions that resulted in clear reporting and accountability. The Board received regular updates on these areas to ensure that the outcomes were appropriately supporting the Group's strategy and that our desired culture was also aligned to strategy and remained consistent across the Group during this period of transition and implementation. These updates, received via divisional updates and the CEO report, informed the Board's discussions and ultimate decisions. The Board and its Committees also monitored the cultural impacts of the ongoing Strategic Projects and divestments during 2023, and continued to consider any trends in, and the insights from, the cultural indicators and metrics set out below as well as other information presented at and in between Board meetings, providing feedback and direction if required.

We are very proud that, in the year following the transformation of our business, our culture, ways of working and focus on our people was recognised by Coats' inclusion in the list of the 25 World's Best Workplaces™ 2023 by Great Place To Work®, the global authority on workplace culture.

Updates and cultural metrics considered by the Board in 2023

- Review of key metrics, including health and safety, Great Place To Work® certification, sustainability and diversity statistics, at every Board meeting.
- Regular presentations on culture, diversity, equity and inclusion initiatives, including the progress against targets, and talent management and development plans. Consideration of the internal DE&I programmes 'Coats for All', 'Coats for Her' and 'Coats Cares' with a focus on cultural outcomes and details of how these were supporting the achievement of our strategic priorities.

- Annual review into health and wellbeing.
- Designated Non-Executive Director for Workforce Engagement updates with key insights for Board level discussions.
- Reviews of whistleblowing cases and remedial actions (read more on page 104).
- Insights from supplier audits and review of cultural impacts resulting from outcomes agreed with management (read more in the Audit and Risk Committee report).
- Appropriately monitoring policies, practices and behaviour and how they support strategy via reports given at Board meetings.

Robust systems of governance, ethics and compliance

The Board regularly reviews information relating to, among other areas, anti-bribery and corruption and whistleblowing as set out in the Audit and Risk Committee Report and in the principal risks and uncertainties section. An independent review of the Group's whistleblowing policies and associated processes was completed during 2023 and this resulted in identification of certain enhancements, which have been undertaken. Also, during 2023, the Board reviewed the Group's Human Rights Statement, which is available for viewing on our website. As set out in that policy and 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. In accordance with the UK Modern Slavery Act 2015, we publish on our website a statement, which is approved annually by the Board, on our actions to prevent modern slavery in our operations and in our supply chain. We expect our employees and our suppliers to behave ethically in all their dealings relating to our business. All our employees receive training on ethics, compliance and modern slavery including focussed training and online training modules for our senior employees and those with customer or supplier facing roles. These training programmes are regularly refreshed, available in multiple languages, form part of the induction for new starters and are rolled out biannually for all relevant employees including Directors.

Stakeholder engagement

The Board ensures that there is continued compliance with the Code (see page 67) and with wider statutory and regulatory requirements.

The Board acts fairly between stakeholders and engages in appropriate dialogue to obtain the views of stakeholders as a whole. You can read more about our engagement with stakeholders on pages 46 to 48.

GOVERNANCE AT A GLANCE

Board profiles:

Length of service – Directors

- 0–3 years 22%
- 3–6 years 22%
- 6–9 years 56%

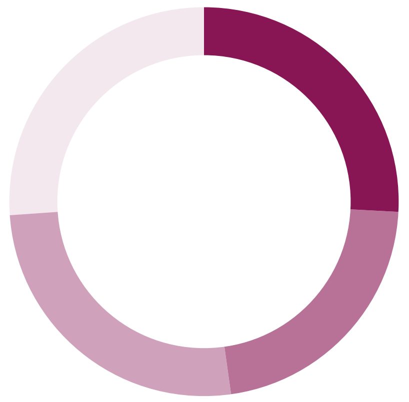
Length of service – Non-Executive Directors

- 0–3 years 29%
- 3–6 years 14%
- 6–9 years 57%

Relevant Functional Experience

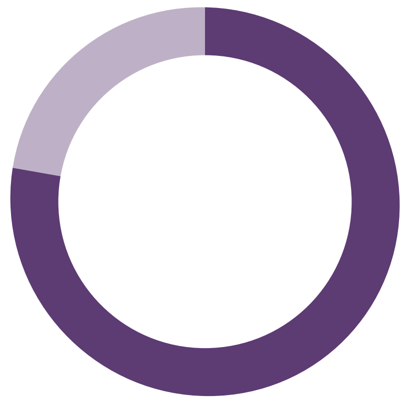
- People 19%
- Legal 14%
- Risk 17%
- Finance 19%
- Technology/Digital 14%
- Customer 17%

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 2023 is set out in the table below. For Board and Board 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 held the annual strategy day in Sri Lanka and visited the Group's plant in Horana, as well as visiting a local school and hospital that served the community in which the business operates. Visits were also made to local customers and the Board joined members of an Apparel industry group to discuss relevant matters. These visits allow engagement with the local workforce and other stakeholders to enhance strategic discussions. You can read more about the Board's engagement with stakeholders on pages 46 to 48.

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.

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[4]	Remuneration	Sustainability	AGM
David Gosnell	9/9		4/4		2/2	1/1
Rajiv Sharma	9/9				2/2	1/1
Jackie Callaway	9/9					1/1
Nicholas Bull	9/9	6/6	4/4	5/5	2/2	1/1
Sarah Highfield[3]	2/2	1/1	1/1			
Heather Lawrence[1]	1/2[2]	1/2[2]	1/1			
Echo Lu	9/9		4/4	5/5		1/1
Steve Murray	9/9	6/6	4/4	5/5		1/1
Fran Philip	9/9		4/4	5/5	2/2	1/1
Jakob Sigurdsson	9/9	6/6	4/4			1/1

1. Heather Lawrence stepped down from the Board on 30 March 2023.
2. Heather Lawrence was unable to attend the Audit and Risk Committee and Board calls held on 1 March 2023 due to a longstanding commitment that existed prior to her appointment to the Board. Heather had been involved in all previous discussions regarding the business of the meeting and discussed the outcomes of the calls with the Chairs.
3. Sarah Highfield was appointed to the Board on 1 November 2023.
4. Certain Nomination Committee discussions were conducted as part of scheduled Board meetings.

Corporate governance cont.

Board effectiveness improvements implemented during 2023

The Board progressed the agreed action plan in relation to the feedback received as part of the 2022 external effectiveness review and a summary is set out below:

Actions taken in 2023 as a result of previous evaluation feedback	
Effectively telling the strategic story internally	– Refreshed Investor Relations Programme with regular updates presented at Board meetings – Annual Report for the year ended 31 December 2022 was refreshed and received positive feedback
Board's oversight and assurance of technology	– Cyber Security deep dive presented at the Board with follow-up session conducted in December 2023 – Regular Audit and Risk Committee updates from the Head of Cyber Security – Cyber Security governance review conducted by Group Internal Audit and discussed at Audit and Risk meeting – Session on AI, including demonstrations and governance advice, conducted at Board Strategy Day
Continuing to work on executive succession planning	– Talent and succession deep dive reviews presented to the Group Executive Team, Nomination Committee and Board by the Chief HR Officer, with feedback being provided on the Women in Leadership List, 'Coats for Her' and development opportunities for those in the 'Fast Track' programme – Divisional deep dives presented to the Board included summary of talent and diversity – Nomination Committee discussions regarding executive succession including for Group Executive Team members – Tracking of diversity in leadership metrics at every Board meeting – Continuation of certain Group Executive Team members attending Board meetings by invitation as an observer

2023 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 comprised a questionnaire that was circulated electronically. 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 absolute 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 oversight of culture, Board governance and Board collaboration. Action plans and focus areas for 2024, 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 2024

Key areas for focus	Actions identified for 2024
Enhanced focus on oversight of technology (including AI)	– AI identified as an emerging opportunity and risk, and is being tracked as part of the risk management process – Further discussions planned regarding impact of changing technology/AI on business and 3-5 year strategic plan
Further focus on changing customer needs and expectations	– Further customer updates to be provided periodically to the Board including as part of scheduled divisional deep dives – Opportunities for direct engagement between the Board and customers to be leveraged when appropriate during Board visits including away week
Continued focus on executive succession planning	– Board oversight of enhanced talent development programme to be continued and detailed succession plan for GET and high potential employees – Talent discussion scheduled as part of 2024 Board planned agenda

Corporate governance cont.

GROUP EXECUTIVE TEAM (GET) MEMBERS' ROLES AND RESPONSIBILITIES

The GET is responsible for the operational delivery of the Group's strategy. This includes day-to-day management of operations and responsibility for monitoring detailed performance of all aspects of our business.

RAJIV SHARMA

Group CEO

> See biography on page 70

- 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 52 for more detail on key risks).
- Builds positive relationships with all the Group's stakeholders (see page 46).

JACKIE CALLAWAY

Chief Financial Officer

> See biography on page 70

- 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

> Read about Apparel on page 25

- 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 52

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

SOUNDAR RAJAN

CEO, Performance Materials Division

> Read about Performance Materials on page 33

- 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 13

- 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 29

- 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.

Audit and Risk Committee report

Nicholas Bull

(Chair since May 2022)

Member since 2015

Sarah Highfield

(Chair Designate)

Member since
1 November 2023

Steve Murray

Member since 2022

Jakob Sigurdsson

Member since 2020

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2023. This report 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 FRC's 2018 UK Corporate Governance Code (Code), as well as setting out the key topics and findings during the year.

The Committee has continued to monitor closely the proposed regulatory and reporting changes, including changes to the UK corporate governance and audit regimes. This included an in-depth review and discussion of the potential impacts of the FRC's 'Audit Committees and the External Audit: Minimum Standard' and the FRC's consultation on the UK Corporate Governance Code (Consultation), facilitated by our external advisors. The Committee requested that the Company provide a response to the questions posed by the FRC in relation to the Consultation, which was duly submitted after approval by Directors. The Committee monitored developments, in particular noting the 'FRC policy update' statement published on 7 November 2023. During 2023, the Committee considered how the Company was preparing for these changes to ensure it is well positioned for forthcoming requirements, including those set out in the updated UK Corporate Governance Code that was published in January 2024, with a focus on those that require external assurance or reporting.

The Committee has continued its focus on the preparedness of the Group to receive external assurance on the Group's ESG-related data, with an aim for this to be published in the 2024 Annual Report. This was progressed by conducting an external review of 2023 and ESG-related data to verify baseline figures for our sustainability targets and ensure the appropriateness of recording and reporting processes. Part of this process involved on-site audits of representative sites across all three divisions to enable a comprehensive review of ESG-related data processes, systems and governance. The Committee was reassured by the outcomes of this exercise. An independent internal review was also conducted on our TCFD models for determining financial impact of climate related risks and opportunities.

The Group is also currently reviewing the Group Internal Audit function, to ensure it is positioned and resourced to meet the changing needs of the business and the evolving regulatory environment. The Committee expects to finalise the plan for Group Internal Audit in 2024 and will present the outcomes of this review in its next report.

Following the change to the divisional operating model, the Committee received deep dive presentations to enable it to assess whether internal controls and risk management processes have been appropriately embedded for each of the Apparel, Footwear and Performance Materials divisions. These presentations were provided by the relevant divisional Finance Directors. Continuing the theme of risk oversight, the Committee has continued to extend its review of non-financial risks, particularly in relation to areas relating to suppliers. Details of the Committee's oversight of the refresh of the Group's Supplier Code and supplier payments terms are set out later in this report.

This year we changed our external auditors and, following the approval of the appointment of Ernst & Young LLP at the 2023 AGM, the Committee has overseen the transition of responsibilities. You can read more about this process in the following pages. The Committee would like to thank Deloitte LLP for their service to the Company.

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 Group Internal Audit.
- 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.

Heather Lawrence resigned from the Board and the Committee on 31 March 2023. An external search for a new Non-Executive Director was conducted and I was pleased to welcome Sarah Highfield as a Non-Executive Director and Chair Designate of the Committee in November 2023. Sarah is expected to succeed me as Chair of the Committee at the conclusion of the 2024 AGM when I will stand down from the Board and the Committee.

It has been my pleasure to serve as Chair and as a member of the Committee. I am proud of the work the Committee has undertaken during my tenure and I am confident that Sarah will continue to oversee a progressive agenda in this important area.

Nicholas Bull
Chair, Audit and Risk Committee

6 March 2024

Highlights of 2023

- Deep dives into divisional risk management and internal controls processes.
- External auditor transition.
- Supplier Code review and supplier payment terms review.
- Continuation of progressive implementation of assurance policy including the assurance of sustainability data.

Areas of focus for 2024

- Agree future structure and responsibilities for Group Internal Audit.
- Continue preparation for changes in regulatory environment.
- Continue focus on internal control processes and divisional risk management.
- Further develop assurance, particularly of ESG data.

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 Committee Members attended the maximum number of meetings possible. Further details of individual Directors' attendance can be found on page 76. The Committee met privately with the external auditor and with the Group Internal Audit function. 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 Group Internal Audit, the Chief HR Officer, Divisional Finance Directors and the external auditor attended parts of Committee meetings by invitation. The Group Chair and Group CEO also attend 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 Committee members possess an appropriate level of independence and depth of financial and commercial, including sectoral, expertise. For the purposes of the Code, in respect of the financial year ended 31 December 2023, Nicholas Bull, Heather Lawrence and Sarah Highfield 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 70 to 72.

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), provisioning and any changes required in these areas or policies.

Particular focus areas during the year were the accounting treatment of our Strategic Projects and the new divisional structure. The Committee reviewed the updated wording of the Group's longer-term viability statement, set out on page 59. 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 104 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 Financial Reporting Council guidance.

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 to assess the Company's position, performance, business model and strategy, as required by the 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 advisers. 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'.

Audit and Risk Committee report cont.

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 2023, exceptional and acquisition-related items of $49.4 million have been recorded in operating profit; the disclosures in note 4 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 recognition of surpluses	At 31 December 2023 the Group's Pension surplus calculated under IAS19 was $62.8 million. The Committee reviewed the underlying assumptions, which were also agreed with Coats' external advisers and auditors. Note 10 to the accounts sets out these assumptions and, for the UK scheme, also places in context the calculation of the surplus by reference to the position calculated under the funding valuation basis which showed a small surplus over the Technical Provisions at the year end. The Committee also reviewed the position in relation to ending repair payments to the UK scheme as described in the accounts. The Committee is satisfied that the surplus on the balance sheet has been appropriately recognised and that the note and the narrative in the Annual Report provides the wider context.
US legacy environment provision	The Group has recognised a provision of $12.2 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 2023 and that the disclosures provided in note 28 to the financial statements are appropriate.
Sale of European Zips business	The sale of the European Zips business was announced on 4 July 2023. The Committee reviewed management's judgements on the accounting and reporting implications on the 2023 results, including the loss on disposal of $17.1 million and the presentation of results as discontinued operations. The Committee concluded that it was satisfied with the accounting treatment and disclosures made in the Annual Report.
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 decreased from 30% to 29%, the Committee also considered the Group's uncertain tax provisions and deferred tax assets, which amount in total to $29.2 million and $18.0 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 2023, 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 52 to 58 in this Annual Report.

There were deep dives into the financial control and risk framework of each division, with the relevant divisional Finance Director providing an overview of the business, a summary of the structure of the finance team including a summary of diversity and tenure and a talent review, the approach to embedding and monitoring internal controls and risk management accompanied by a summary of the assurance processes currently in place. The divisional Finance Directors also outlined plans for further internal controls testing and automation for future years. The Committee undertook its annual review of ESG reporting and disclosures, including consideration of the TCFD disclosures.

Mindful of expected changes in the UK governance regime including as a result of the updated UK Corporate Governance Code, the Committee has revisited internal control matters to ensure the business continues to enhance its overall control environment to align with requirements and emerging practices. Further opportunities to automate controls testing will be evaluated when the regulatory requirements are clear. Instances where the effectiveness of internal controls were considered insufficient, or where there was opportunity for enhanced controls, were discussed during the year with updates being provided when required. In particular, during 2023 the Committee conducted a further deep dive into cyber security risks and controls, and this was also a focus for the full Board, and there were periodic updates on sanctions documentation and training. Remediation plans are monitored closely on an ongoing basis, including continued focus on Supplier Code compliance and HR controls. The Committee continued to receive detailed bi-annual reports on internal controls over financial reporting, 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 Group Internal Audit follow-up actions. There were also regular updates on the governance and reporting of the Strategic Projects and divestments and acquisitions.

The annual review of the effectiveness of the Company's risk management and internal control systems covering all material controls was conducted, including operational and compliance 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.

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;
- Group Internal Audit activities and investigations; and
- an externally operated whistleblowing helpline and robust process to allow anonymous reporting and suitable investigations.

Internal audit

The Committee is in the process of conducting a full review of Group Internal Audit, including resourcing and responsibilities, to ensure the function is fully aligned to the new shape of the business and focussed on auditing the controls that mitigate the Group's principal and key risks. This is expected to be concluded in 2024 and a further update will be provided in next year's Annual Report.

The proposed Group Internal 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 Group Internal Audit reports, receives detailed reports from management where appropriate, and monitors the rate at which actions agreed with management are implemented. Group Internal Audit present their annual audit opinion at the February meeting of the Committee. The Head of Group Internal Audit also consolidated and presented to the Committee a biannual review of in-country operational risks which are appropriately aligned against the Group's principal risks, which included a summary of any new risks that have arisen in the period with agreement on appropriate actions and interventions. Group Internal Audit grade 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.

Audit and Risk Committee report cont.

A key theme in the Group Internal Audit reports included compliance with the Group's Supplier Code including updates on findings from the third-party Bureau Veritas audits into suppliers. The Committee discussed two instances of non-compliance with the Company processes as set out in the Group's Supplier Code that had occurred, and probed management's responses to ensure that these were appropriately robust and proportionate. The Committee noted that our procedures and culture are consequently stronger as result of changes and communications made in relation to these incidents. The Committee requested, and received, updates on the roll-out of training being provided internally and externally in relation to compliance with the refreshed Group Supplier Code.

Group Internal Audit presented the outcomes of their reviews of the Group's cyber security governance and of Group 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 metrics in relation to zero discharge of hazardous chemicals (ZDHC).

An analysis of data was used to review controls in some areas. Investigations were conducted both remotely and physically on site during 2023, and the Committee continued to monitor the way internal audits were undertaken and the findings to ensure there was consistency of approach on audit delivery.

For any control findings identified as part of any investigation or audit, remediation plans were put in place and the Committee reviewed these and the adequacy of the implementation measures. Group Internal Audit continued to progress the actions identified as part of recent effectiveness evaluations. Updates were provided on the internal assurance map that was developed during 2023.

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 Deloitte (who resigned at the AGM in 2023) and 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 not on the list of permitted services, if in excess of $25,000, requires the approval of the Committee.

During 2023, the external auditor provided services in relation to the Group's interim results. 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

As set out in last year's Annual Report, the Company conducted a competitive tender process for the Group's external auditor during 2022. The Company appointed Ernst & Young LLP as its auditor for the year ending 31 December 2023 in November 2022, and their appointment was approved at the 2023 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.

In respect of the financial year ended 31 December 2023, and noting that this would be the first audit conducted by Ernst & Young LLP, 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 the Committee members, regular attendees to the Committee and those Coats colleagues globally who interact most frequently with the external auditor. 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 Code were considered and appropriately incorporated in the drafting of the questionnaire. 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 reviewed the FRC's annual report on the auditor at its December meeting. 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

Following the external effectiveness review conducted in 2022, the Committee's effectiveness in respect of the year ended 31 December 2023 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 the Group Internal Audit function at its December meeting, as well as considering whether the feedback identified in the previous year's assessment had been adequately addressed.

The 2023 evaluation indicated that the Committee was working effectively and identified opportunities for the 2024 Committee work plan, which have been appropriately included and are set out below.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, it is planned that the Committee will during the course of 2024:

- Agree future model and ways of working for Group Internal Audit.
- Continue preparation for changes in regulatory environment.
- Continue focus on internal control processes and divisional risk management.
- Further develop assurance, particularly of ESG data.

Signed on behalf of the Audit and Risk Committee by:

Nicholas Bull
Chair, Audit and Risk Committee

6 March 2024

Areas of focus in 2023		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 – Ongoing review of assurance of ESG data	SHAREHOLDERS
Internal controls	– Ongoing review into the future of Group Internal Audit – Group Internal Audit updates – Bi-annual review of internal financial controls – Monitoring agreed actions status – Group Internal Audit resourcing reviews – Deep dives into Apparel, Footwear and Performance Materials divisions risk management and internal controls – Review of updates to regulatory reform updates to ensure appropriate internal preparation	EMPLOYEES SHAREHOLDERS
Risk management	– Litigation, cyber, expenses and tax risk reviews – Bi-annual risk review including environmental compliance – Review of governance of reporting of acquisitions – 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	– Oversight of external audit transition – 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 – Auditor effectiveness review	CUSTOMERS EMPLOYEES SHAREHOLDERS SUPPLIERS

Nomination Committee report

David Gosnell

(Chair since November 2020)

Member since 2015

Nicholas Bull

Member since 2015

Sarah Highfield

Member since
1 November 2023

Echo Lu

Member since 2017

Steve Murray

Member since 2022

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 2023.

Committee membership and meetings

The members of the Committee are independent Non-Executive Directors. You can read more about the skills, tenure and experience of the members of the Committee on pages 70 to 72. During the year, the Committee met four times in separately scheduled meetings, with further discussions taking place as part of scheduled Board meetings. A Committee member discussion on succession planning was also held during the Board's away week in October 2023.

All Committee members attended the maximum number of meetings that they were eligible to attend. Further details of individual Directors' attendance can be found on page 76.

Board and Committee changes

In preparation for the planned retirement of Nicholas Bull at the conclusion of the Company's 2024 Annual General Meeting, Sarah Highfield joined the Board, Audit and Risk Committee and the Nomination Committee on 1 November 2023. She will succeed Nicholas as Chair of the Audit and Risk Committee. On 15 November 2023, we announced that, following a rigorous process, Steve Murray will succeed Nicholas as Senior Independent Director. Both of these transitions will take effect at the end of the 2024 AGM following an appropriate period of handover from Nicholas, which will include meeting various internal and external stakeholders. On 14 December 2023 we announced that Sarah would also join the Sustainability Committee from 1 January 2024. This was part of an overall review of the composition of the Sustainability Committee which also resulted in the three Divisional CEOs and the Group Sustainability Director joining the Sustainability Committee from the start of 2024. We believe that widening the membership to include management will enhance operational understanding and result in more efficient decision making.

Succession planning

Following a period of transformation for the Group, the Committee has focussed on ensuring that succession planning continues to be suitably robust for both Non-Executive and Executive roles, with a focus on DE&I, maintaining the desired culture of the Group, and reviewing the required skills profile for the Group. 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 considered by the Committee 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. During 2023, the Board undertook all required regular training for Coats' employees, as well as receiving tailored training updates at Board and Committee meetings for specific topics, including Cyber risks and AI, as appropriate.

The Committee and Board have actively reviewed GET and below GET succession plans, and also discussed the training and development opportunities being created for these talent pools. The Committee has continued its regular review of the progress on Group CEO succession plans

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 2023

- Succession planning for key Board roles.
- Reviewing executive and senior management talent plans.
- Monitoring of DE&I programmes.

Areas of focus for 2024

- Further GET succession planning focus.
- Oversight of transition of key Board roles.
- Continuing to monitor changes in relevant requirements and best practice.

Nomination Committee report cont.

with certain GET members being invited to observe and participate in a full Board meeting. This is a continuation of our internal programme to enhance their understanding of the Board ways of working and to allow the Board greater face-to-face contact.

Neither the Chair nor any of the Non-Executive Directors has exceeded the maximum nine-year recommended term of service set out in the Code in 2023. However, as set out in our Notice of AGM, the Board has proposed a resolution to re-appoint David Gosnell as a Director of the Company. As David has served on the Board from 2015, this would be an extension of his appointment that would exceed the usual nine year term but the Committee considers this to be compliant with provision 19 of the Code which allows an extension for a limited time where the Chair was an existing director, subject to a clear explanation being provided. It is proposed that David's appointment be extended for a period of up to three years, subject to annual re-election by shareholders. Further details are set out below.

The Nomination Committee and the Board, acting with David having recused himself, have diligently considered this proposal mindful of the significant changes that have taken place within the Group recently and 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 such a period of change. These include the integration of the two major footwear acquisitions, completion of the far reaching strategic projects and the further and ongoing de-risking of the pension scheme. Consideration was also given to the recent changes to the Board which include two recent Non- Executive Director appointments and the forthcoming transitions that will result from Nicholas Bull stepping down from the Board at the conclusion of the 2024 AGM. There was also discussion regarding David's tenure as Chair, noting he assumed the role in May 2021. Finally, the Nomination Committee and the Board considered the independence of David given the length of his service on the Board and 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.

In the second half of 2023 and in early 2024, Nicholas Bull, in his role as Senior Independent Director, and Steve Murray, in his role as incoming Senior Independent Director, conducted a direct consultation process with a number of the Company's key institutional shareholders to explain the rationale for this proposal and seek their views. The Committee and the Board, meeting in discussions chaired by Nicholas and held without David present, have carefully reviewed the feedback that was received and noted that the shareholders that had been consulted had indicated clear support for David continuing as Chair, with the majority supportive of a three year extension, subject to annual re-election at the AGM. Accordingly, the Committee recommended to the Board, and the Board has concluded, that the proposed extension of David's term of appointment is appropriate and in the best interests of the Company and its stakeholders to ensure continuity as part of a broader effective and timely succession planning process.

Non-Executive Director recruitment

The first step in the Group's Non-Executive Director recruitment process is to align on the desired criteria for the candidate profile, informed by a detailed review of the Board skills and tenure matrices and a discussion of the potential gaps and talent needs of the Board. In 2023, following Heather Lawrence's stepping down from the Board in March 2023, it was necessary to focus on finding a successor for the Chair of the Audit and Risk Committee. Odgers Berndtson, a professional search agency with no connection to the Company nor any Director, was engaged to create a comprehensive and diverse long list of candidates. Odgers Berndtson was appointed in accordance with the Company's procurement policy based on its expertise relative to this role. The shortlisted candidates were then interviewed by the pre-determined interview panel, and appropriate due diligence was undertaken to ensure the appropriate fit with the requirements including consideration of candidates' 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. The process resulted in the appointment of Sarah Highfield as a Non-Executive Director and Chair designate of the Audit and Risk Committee. In the case of Executive Director or GET appointments, an executive leadership assessment would be carried out by an external professional agency.

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.

Board direction induction programme example

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

Diversity

The Committee has continued to monitor the evolving regulatory and reporting environment to ensure it is suitably forward looking in its talent planning and ambitions, while continuing to review progress against our ambitious internally set targets and also externally set targets. Linked to this, the Committee and Board have also been updated on the initiatives and outcomes of the 'Coats for All' and 'Coats for Her' programmes that were launched in 2022. You can read more about this in the People and Culture section of this report on pages 13 to 14.

The Board strongly believes diversity at all levels of the business results in better business outcomes, grows innovation and helps us achieve our strategy. The impacts of the changing shape of the business, resulting from recent acquisitions and divestments as well as our Strategic Projects, on our DE&I metrics has been closely reviewed by the Committee and the Board, with an emphasis on ensuring there are appropriate internal talent development initiatives available for our diverse range of future leaders. These align with the Board's diversity policy, which was updated in 2023 to align with best practice and includes

Nomination Committee report cont.

reference to knowledge and understanding of relevant diverse geographies, people and their backgrounds and includes, and is not limited to, race, socio-economical, educational and professional backgrounds, disability, gender, sexual orientation, religion, belief and age, as well as culture, personality, work-style and cognitive and personal strengths. This policy is available to view on our website (**www.coats.com/about/corporate-governance/board-composition**).

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 (**https://www.coats.com/en/Download-Centre**).

The Board supports the recommendations of the FTSE Women Leaders Review on gender diversity and the Parker Review on ethnic diversity and continues to monitor developments in these areas. During the course of 2023, the Group undertook a data collection exercise to confirm and update our DE&I information. Employees were offered the option to update their information, with facilities being provided in our factories and facilities to enable easy completion, and informed about how this information would be used to help inform better decision making and outcomes for the business.

I am pleased to confirm that we have 44% female representation on the Board, including our Chief Financial Officer, Jackie Callaway, and there are two Directors from an ethnic minority background. Accordingly, as at 31 December 2023, we are in line with the recommendations of the FTSE Women Leaders Review and we meet the diversity targets set out in the Listing Rules. We are also in line with the recommendations of the Parker review and the targets set out in our Board diversity policy. We continue to monitor progress against the future recommendations in relation to diversity.

In December 2023, following the request made by the Parker review, the Board approved an ethnicity diversity target to be achieved by 2027. After reviewing the current levels of diversity at both GET level and in those reporting in to the GET and considering the wide geographic footprint of the organisation, the Board concluded that it was appropriate for the Group to commit to maintaining 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 to be suitably challenging. You can read more about our progress against our other sustainability objectives, which are linked to our Long Term Incentive share plan, 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	34	74%
Women	4	44%	1	12	26%
Other categories					
Not specified/ prefer not to say					

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%	3	19	42%
Mixed/Multiple Ethnic Groups				1	2%
Asian/Asian British	2	22%	1	18	39%
Black/African/ Caribbean/Black British					
Other ethnic group, including Arab				2	4%
Not specified/ prefer not to say				6	13%

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.

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 2023, there were 38 women (23%) and 127 men (77%) in Senior Management.

Assessment of the effectiveness of the Committee

Following the external effectiveness review conducted in 2022, the Committee's effectiveness in respect of the year ended 31 December 2023 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 considering whether the feedback identified in the previous year's assessment had been adequately addressed.

The 2023 evaluation indicated that the Committee was working effectively and identified opportunities for the 2024 Committee work plan, which have been appropriately included and are set out below.

Looking forward

As well as the regular cycle of matters that the Committee schedules for consideration each year, it is planned that the Committee will during the course of 2024:

- Further GET succession planning focus.
- Oversight of transition of key Board roles.
- Continuing to monitor changes in relevant requirements and best practice.

Signed on behalf of the Nomination Committee by:

David Gosnell
Chair, Nomination Committee

6 March 2024

Remuneration Committee report

Echo Lu

(Chair since May 2021)

Member since 2017

Nicholas Bull

Member since 2021

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 2023.

This report consists of three parts: this letter summarising the work of the Committee and the decisions made, the Annual Report on Remuneration for 2023 (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 2024 AGM.

I would like to thank those shareholders who provided feedback on the Policy ahead of the 2023 AGM. The Committee was very pleased with the level of support received (99.7%), which demonstrates shareholders' ongoing support for the Committee's approach.

Highlights of 2023

– Reviewing feedback ahead of the 2023 AGM on the now current Policy, and the proposed implementation of Policy for 2023.
– Considering the implementation of the current Policy for 2024, including amendments to performance measures and weightings.
– Reviewing remuneration arrangements within the wider workforce including the annual review of our global Living Wage policy, to which over 99% of our employees are above the living wage with immediate plans to raise this back to 100%.
– Strengthening our global wider workforce pay policy to ensure all our employees receive equal pay for equal work in each operating location.
– Approval (subject to 2024 AGM shareholder approval) of new Long Term Incentive and Deferred Annual Bonus Plan rules.
– Reviewing salary and packages for the Executive Directors and Group Executive Team.

Areas of focus for 2024

– Overseeing the implementation of the Policy.
– Setting incentive targets in a continually volatile 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

During 2023 the Committee remained mindful of the significant impact that high inflation and cost of living pressures have on employees within the Group. As such, the Committee has closely monitored remuneration arrangements across the Group and is supportive of the significant positive actions taken by management to support employees; for example, we have provided mid-year salary increases for those most impacted by the effects of inflation.

Salary increases for the Executive Directors and the senior 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 senior executive team in the UK were positioned below the UK workforce increase of 7%.

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 our approach to remuneration. As a result, the Group has continued to address concerns raised by employees surrounding the impact of high inflation in their country.

Principal objectives of the Remuneration Committee

Our main objectives are to have fair, equitable and competitive reward packages that support our vision & 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 & 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.

Incentive structures remain aligned within the Coats business so that the key metrics that apply to senior management compensation are applied consistently through the organisation.

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 staff.

2023 remuneration outcomes

2023 has continued to see challenging market conditions across the industry with widespread destocking in apparel and footwear. In this context, we are pleased to see that the business has continued to grow its market share whilst improving margins and achieving a number of strategic goals.

With regard to the annual bonus, the Committee assessed actual performance against the targets set at the start of the year and determined that bonus of 66.5% of the maximum was earned for the CEO and CFO. This is felt to reflect the strong efforts made by the Executives during a challenging year which saw EBIT maintained, strong free cash flow generation of $131 million and strategic progress, for example through the de-risking of our pension schemes. Further detail can be found on page 92.

With regards to long-term performance, we achieved growth in EPS over the three-year period ending 31 December 2023 to 8 cents, delivered a total shareholder return of circa 20% and made strong strategic progress against a balanced scorecard of objectives. This resulted in 96.27% of the total award vesting. In the challenging market conditions, this was considered to be exceptional performance of the Executives and wider management team over the last three years. With the 2021 award granted in March of that year, companies' share prices, including Coats', had recovered from their Covid pandemic losses and so the Committee was comfortable that the award did not benefit from windfall gains. Further details can be found on page 92.

The Committee considered whether the formulaic outcome under both the annual bonus and LTIP was appropriate, mindful of the financial and non-financial performance of the business over the performance periods and concluded that no adjustments to the formulaic outcomes were necessary at a Group level.

The Committee can confirm that the current Policy approved at the 2023 AGM was implemented in 2023 as the Committee originally intended and was working effectively. The Committee continues to monitor this on an ongoing basis.

Implementation of Policy for 2024

The key decisions in respect of 2024 implementation were taken following a review of how our current performance metrics mapped across to our current short and long-term corporate priorities. This resulted in the following changes for 2024:

- We introduced EBIT Margin as a new measure for 20% of the total bonus opportunity to align with a Group-wide focus on driving efficiencies through our businesses and reflected this for all our employees on Group targets. To accommodate the introduction of EBIT Margin, we rebalanced the weightings on our other key performance metrics with EBIT subject to a 20% weighting, Free Cash Flow 30%, Sales 10% and individual objectives 20%. The overall bonus structure reflects our near term priorities of delivering profitability and cash through a combination of efficiency and growth in our key markets. Further details of the measures and weightings for 2024 are included on page 98.
- We retained EPS, Average Cash Conversion and TSR as our key financial performance metrics for the 2024 LTIP. However, reflecting the importance of sustainability to Coats, we made a modest adjustment to the weighting so that structured sustainability measures will account for 25% of the 2024 LTIP grant (from 20%), with EPS remaining at 30%, Average Cash Conversion at 20% and TSR accounting for 25% (from 30%).

There have been no other changes made in respect of the implementation of the remuneration policy for 2024.

Base salary – as of 1 January 2024:

CEO (Rajiv Sharma) – £695,000

CFO (Jackie Callaway) – £431,550

The above salaries have been in operation since 1 July 2023 when they were increased by 5% which was below the UK budgeted workforce increase of 7%. The Committee remains mindful of institutional investor guidance in relation to 2023/24 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 CEO and CFO are 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 CEO and 125% of salary for the CFO with 50% deferred into shares for the CEO and 40% for the 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 will reflect our business objectives and will be appropriately stretching.

LTIP – the Long Term Incentive awards are expected to be granted at 175% and 150% of salary for the CEO and CFO respectively, with awards vesting subject to three-year performance targets. The award levels are consistent with the awards granted in 2023. The performance metrics are as detailed above. Details of the targets will be provided at the time of grant as at the time of finalising the 2023 Annual Report and Accounts, given the dynamic nature of market conditions, the Committee remained in the process of finalising specific targets.

Conclusion

The Committee is satisfied that the decisions made during 2023 reflect the financial and non-financial performance of the Group during the year and balance the interests of all key stakeholders.

I look forward to receiving your support for our Annual Report on Remuneration at our 2024 AGM.

Echo Lu
Chair, Remuneration Committee
6 March 2024

> "Ensuring fair reward at all levels is what helps us to be a Great Place To Work®"

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

	2023	2024	2025	2026	2027
Base salary/Benefits/Pension	Cash & benefits				
Short Term Incentive	Cash	Deferred shares			
Long Term Incentive	Performance Period			Holding Period	

Summary implementation in 2023

Fixed remuneration	Implementation in 2023
Base salary 1 July 2023 review	– Increase of 5% for Rajiv Sharma and Jackie Callaway, which was lower than the 7% budgeted increase for the UK workforce
Pension benefit Aligned to the UK workforce	– 12% of salary for both the CEO and CFO
Annual bonus Performance measures: Sales: 10% EBIT: 35% Free Cash Flow: 35% Personal objectives: 20%	– For Rajiv Sharma a maximum bonus of 150% of salary with a deferral of 50% of the outcome in shares – For Jackie Callaway a maximum bonus of 125% with a deferral of 40% of the outcome in shares – Outcomes for 2023 shown on page 91
Long Term Incentive Performance measures: EPS growth: 30% Average Cash Conversion: 20% Total Shareholder Return: 30% Sustainability: 20%	– Grant of 175% of salary to Rajiv Sharma – Grant of 150% to Jackie Callaway – Three-year performance period with subsequent two-year holding period – Targets for 2023-2025 on page 93

Directors' remuneration report
for the year ended 31 December 2023

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 and the Directors' Remuneration Policy will be subject to a binding vote at the AGM on 22 May 2024.

Executive Directors

Two Executive Directors were employed during 2023. Rajiv Sharma was appointed to the Board on 2 March 2015 and was appointed as Group Chief Executive with effect from 1 January 2017. Jackie Callaway was appointed to the Board on 1 December 2020 and appointed as Chief Financial Officer on 31 March 2021.

Single total figure for Executive Directors' remuneration for 2023 (audited information)

£000's	Rajiv Sharma 2023	Rajiv Sharma 2022	Jackie Callaway 2023	Jackie Callaway 2022
Base salary	**678.5**	646.2	**421.3**	401.3
Benefits	**46.4**	41.4	**21.8**	21.3
Other	–	–	–	–
Pension	**81.4**	122.4	**50.6**	48.2
Total Fixed	**806.3**	810.0	**493.6**	470.8
Annual bonus	**693.3**	834.1	**358.8**	397.2
LTIP	**1,208.1**	224.6	**643.0**	–
Total Variable	**1,901.4**	1,058.7	**1,001.7**	397.2
Total	**2,707.7**	1,868.7	**1,495.4**	868.0

The figures in the table above have been calculated on the basis of the following:

- Benefits: this is the value of all benefits including a car allowance, private medical insurance, life insurance and income replacement insurance. A car allowance of £20,000 per annum is paid to Rajiv Sharma and an allowance of £15,000 per annum is 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 any 2023 bonus outcome for the Chief Executive Officer and 40% for the current Chief Financial Officer will be awarded in shares under the terms of the Deferred Annual Bonus Plan.
- 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. Jackie Callaway's pension benefit is based on 12% of salary. For 2022 Rajiv Sharma's pension benefit was fixed at £122,400 per annum and reduced to 12% of salary with effect from 1 January 2023.
- The value of the LTIP award shown for Rajiv Sharma for 2022 has been restated to reflect the value on the vesting date (6 March 2023) including dividend equivalents, using the share price on this date of £0.758. Of the amount shown, £47,939 of this value represents the value attributable to share price growth over the three-year period (excluding dividend equivalents).
- The value of the LTIP awards shown for Rajiv Sharma and Jackie Callaway for 2023 reflect the vesting of LTIP awards with a performance period ending in 2023. Of the amount shown, £177,024 and £94,214 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 2023.

Annual bonus outcome 2023 (audited information)

The annual bonus for 2023 was determined in accordance with the details provided in the 2022 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 2023	Weighting	Achievement			Performance achieved in 2023	
Performance Measure		Threshold *(10% of max)*	Target *(50% of max)*	Maximum *(100% of max)*		**Outcome as % of Max**
Group Sales $m	10.0%	1,521	1,690	1,774	1,417	0%
Earnings Before Interest and Taxation (EBIT) $m	35.0%	228	248	263	240	11.5%
Free Cash Flow (adjusted) (FCF) $m	35.0%	93	108	118	131	35%
Individual objectives	20.0%	–	–	–	See below	20%
Total	**100.0%**					**66.5%**

Targets are set in relation to budget for the upcoming financial year and the figures in the table above exclude the pre-disposal contribution of EMEA Zips and reflect the 2023 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 $23 million for Sales, $6 million for EBIT, and $0.6 million for FCF respectively.

Directors' remuneration report cont.

For the 2023 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 2023 are reflected in the section below.

Personal objectives linked to 2023 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
CEO – Rajiv Sharma	Conclude strategic project started in 2022	The 2023 in year target of $30 million of savings was exceeded with savings of $37 million delivered. Performance was well ahead of the total 2022/2023 targeted savings of $50 million.
	Reach 17% EBIT margin run rate by Dec 2023	EBIT margin was exceeded with Q4 EBIT at 20%.
	Launch 2023–2026 phase of sustainability journey and deliver 2023 targets	Successfully launched 2023-2026 sustainability targets and delivered progress across all indicators ahead of 2023 plan and versus 2022 actuals. This included, material reductions in absolute Scope 1 and 2 emissions, increases in water recycling rates and use of sustainable materials as well as becoming certified as a Great Place To Work®. Full details are included on page 42.
	The Committee determined the outcome of 20% out of a possible 20% of maximum bonus.	
CFO – Jackie Callaway	Launch 2023–2026 phase of sustainability journey and deliver 2023 targets	Successfully launched 2023-2026 sustainability targets and delivered progress across all indicators ahead of 2023 plan and versus 2022 actuals. This included, material reductions in absolute Scope 1 and 2 emissions, increases in water recycling rates and use of sustainable materials as well as becoming certified as a Great Place To Work®. Full details are included on page 42.
	Get to a 17% EBIT margin run rate by Dec 2023	EBIT margin was exceeded with Q4 EBIT at 20%.
	Agree and implement strategy for de-risking pension scheme	Strategy agreed which culminated in reaching agreement with the pension trustees in December 2023 to switch-off pension payments.
	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.

Summary 2023 Bonus Outcome

Performance Measure	Bonus opportunity *(% of salary)*	2023 bonus outcome *(% of maximum)*	Bonus outcome (£)
CEO – Rajiv Sharma	150%	66.5%	£693,334
CFO – Jackie Callaway	125%	66.5%	£358,763

Long Term Incentive award vesting (audited information)

On 5 March 2021 Rajiv Sharma and Jackie Callaway were granted 1,770,247 and 942,148 Long Term Incentive Plan awards respectively in the form of nil cost options. Awards vest according to performance over the period from 1 January 2021 to 31 December 2023 (referred to as 2021 LTIP).

As set out in the table below 96.27% of the shares granted will vest on 7 March 2024.

The performance measures were based upon Total Shareholder Return performance (TSR), Earnings Per Share (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.

LTIP 2021: Performance period 1 January 2021 to 31 December 2023

Measure	Weighting	Threshold *(25% vesting)*	Mid *(62.5% vesting)*	Maximum *(100% vesting)*	Actual	Outcome as % of max LTIP
EPS	40.0%	6.0 cents	7.0 cents	8.0 cents	8.04	40%
Cumulative Free Cash Flow	30.0%	$205m	$242.5m	$280m	$369m	30%
Total Shareholder Return versus the FTSE 250 excluding investment trusts	20.0%	Median	62.5th Percentile	Upper Quartile	70th Percentile	16.82%
Sustainability	10.0%	*See summary of performance below*				9.45%
Total						**96.27%**

Summary of performance against sustainability targets

The extent of achievement in performing against the targets set for the 2021 LTIP is set out below. The Committee tested the extent of achievement against the target on an indexed basis.

Based on average performance against the targets set (on an unweighted basis), 100% achievement results in the threshold target being met (25% of this part of the award vesting), rising to 100% vesting for 110% average achievement against the targets. The targets were set to be similarly challenging to the 2020 LTIP sustainability targets in light of the progress of the Company through to 2021.

With 109.26% achievement against the targets, 94.5% of the maximum sustainability target was achieved.

Directors' remuneration report cont.

Area	Target	Performance	Percentage Achievement of Target
Water usage	Reduction versus 2018 baseline of 40% water usage	Achieved a 41.2% reduction in 2023.	103%
Energy	Achieve a 7% reduction versus 2018 baseline of energy usage	Achieved a 5.3% reduction in 2023.	75.7%
Effluent & discharge	Compliance with Zero Discharge of Hazardous Chemicals effluent standards	Achieved 99.834% compliance in 2023.	99.834%
Social	Achieve Great Place To Work® accreditation or similar for all locations that cover approximately 80% of all employees. Enable all employees to participate in community support activities	Achieved certification coverage across 87% of employees and community support activities have been enabled.	108.8%
Sustainability	Reduce waste by 25% (vs a 2018 baseline)	A 21.3% reduction in waste was achieved in 2023.	85%
	Increase use of sustainable materials (working towards 100% of higher grade premium product thread produced from recyclable materials)	The combined increase in sustainable materials in higher grade product sales and use of sustainable raw materials used in products increased by 183.2% during the period based on continuing sustainability KPIs	183.2%
Average achievement			109.26%

The Committee considered the Group's overall performance over the 2021 LTIP performance period and felt that the outcome of 96.27% appropriately reflected the performance of the business during the performance period.

Share awards granted in 2023 (audited information)

The following share awards were granted to Executive Directors during the financial year ended 31 December 2023. The targets for achieving minimum performance for each measure, where these apply, are shown in the table to the right.

Coats Group plc Long Term Incentive Plan

The share price shown below, which 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.

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 approximately 100 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	17–Mar–23	786,352	£616,500	150%	£0.784	25%	1 Jan 2023 to 31 Dec 2025	21–Mar–26
Rajiv Sharma	17–Mar–23	1,477,678	£1,158,500	175%				

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 2023 (LTIP 2023) are shown below.

Measure	Weighting	Threshold (25% vesting)	Mid (62.5% vesting)	Maximum (100% vesting)
EPS CAGR	30.0%	5%	10%	15%
Total Shareholder Return versus the FTSE 250 excluding investment trusts	30.0%	Median	62.5 percentile	Upper quartile
Average Cash Conversion	20.0%	70%	80%	90%
Sustainability (see details below)	20.0%	See below	–	See below

The Board will consider the achievement of 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 FTSE250, 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.

Directors' remuneration report cont.

The Sustainability targets are as follows:

Sustainability	Threshold	Mid	Maximum
Energy: reduction in Scope 1&2 emissions	15%	15.75%	16.5%
Recyclable materials: growth in sustainable (non-virgin oil) based materials	Growth to 46%	Growth to 48%	Growth to 50%
Waste: reduction in waste to landfill	65% reduction	70% reduction	75% reduction
Diversity & inclusion: percentage representation of women in the leadership (senior manager and above) population	21%	23%	25%
Vesting (the proportion of the award for this measure that vests)	25%	62.5%	100%
Targets for energy and 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.

Non-Executive Directors

The base fee was increased by 5% from £63,000 to £66,150 per annum with effect from 1 July 2023. The supplementary Chair and Senior Independent Director fees increased to £13,125 (5% increase for the Chair fees and £3,125 for the SID). Finally, the fee as Designated Non-Executive for Workforce Engagement increased by 5% to £7,875. The fee for the Chair payable to David Gosnell following his appointment on 19 May 2021 has been fixed on appointment at £250,000.

Single total figure for Non-Executive Directors' remuneration for 2023 (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		Comments
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	
David Gosnell	**250.0**	250.0	–	–	–	–	–	–	**250.0**	250.0	
Nicholas Bull[3]	**64.6**	61.5	**24.4**	18.3	–	–	**1.5**	1.5	**90.5**	81.3	
Sarah Highfield	**11.0**	–	–	–	–	–	–	–	**11.0**	–	Appointed 1–Nov–23
Heather Lawrence[4]	**15.8**	10.5	–	–	–	–	–	–	**15.8**	10.5	See below
Echo Lu	**64.6**	61.5	**12.8**	12.5	–	–	**1.5**	–	**78.9**	74.0	
Stephen Murray	**64.6**	21.0	–	–	–	–	**1.5**	–	**66.1**	21.0	Appointed 1–Sep–22
Fran Philip	**64.6**	61.5	**7.7**	7.5	**1.8**	–	**7.5**	6.0	**81.6**	75.0	
Jakob Sigurdsson	**64.6**	61.5	–	–	–	–	**1.5**	1.5	**66.1**	63.0	
Total	**599.7**	527.5	**44.9**	38.3	**1.8**	–	**13.5**	9.0	**659.8**	574.8	

1 The figure under benefits for Non-Executive Directors relates to support with tax returns.

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. The travel fee is capped at a maximum of £7,500 per annum.

3 Nicholas Bull was appointed Chair of the Audit and Risk Committee in May 2022.

4. Heather Lawrence was appointed on 1 November 2022 and stepped down on 31 March 2023.

Payments for loss of office (audited information) & Payments to former Directors (audited information)

There have been no payments for loss of office during the year. No payments were paid to former Directors in the year.

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.

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 as at 31 December 2023, are set out below.

	Shareholding requirement in 2023			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?	01-Jan-23[1]	31-Dec-23[2]	01-Jan-23	31-Dec-23	01-Jan-23	31-Dec-23	01-Jan-23	31-Dec-23
Executive Director											
Jackie Callaway	1,196,306	200%	Yes	269,716	333,489	258,709	464,702	1,846,305	2,632,657	–	–
Rajiv Sharma	1,926,620	200%	Yes	4,596,492	4,596,492	1,055,858	1,246,906	5,027,626	4,946,731	346,586	296,308
Chair and Non-Executive Directors											
David Gosnell			N/A	1,567,470	1,717,470	–	–	–	–	–	–
Nicholas Bull			N/A	550,000	550,000	–	–	–	–	–	–
Sarah Highfield			N/A	–	–	–	–	–	–	–	–
Heather Lawrence			N/A	–	–	–	–	–	–	–	–
Echo Lu			N/A	22,874	22,874	–	–	–	–	–	–
Stephen Murray			N/A	–	65,000	–	–	–	–	–	–
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 resignation, if earlier.
3. The target number of shares is based on the average share price for 2023 which was 72.15p.

The Executive Directors' shareholding requirement must be met within five years of their appointment to the Board (2 March 2020 for Rajiv Sharma, and 1 December 2025 for Jackie Callaway). 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 2023 (audited information)

Rajiv Sharma

Award	Vesting date	Retention period	Expiry date	No.	Status	Performance conditions?
Deferred bonus shares subject to vesting period						
DABP22	4–Mar–25	N/A	4–Mar–32	706,218	Unvested	No
DABP23	3–Mar–26	N/A	3–Mar–33	540,688	Unvested	No
Sub-total				1,246,906		
LTIP share options (subject to performance conditions)						
LTIP21	5–Mar–24	5–Mar–26	5–Mar–31	1,770,247	Unvested	Yes
LTIP22	4–Mar–25	4–Mar–27	4–Mar–32	1,698,806	Unvested	Yes
LTIP23	17–Mar–26	17–Mar–28	17–Mar–33	1,477,678	Unvested	Yes
Sub-total				4,946,731		
Share options (no performance conditions)						
LTIP20[1]	6–Mar–23	6–Mar–25	6–Mar–30	296,308	Vested	No
Sub-total				296,308		

1. Excluding 12,648 dividend equivalent shares acquired on vesting.

Jackie Callaway

Award	Vesting date	Retention period	Expiry date	No.	Status	Performance conditions?
Deferred bonus shares subject to vesting period						
DABP22	4–Mar–25	N/A	4–Mar–32	258,709	Unvested	No
DABP23	3–Mar–26	N/A	3–Mar–33	205,993	Unvested	No
Sub-total				464,702		
LTIP share options (subject to performance conditions)						
LTIP21	5–Mar–24	5–Mar–26	5–Mar–31	942,148	Unvested	Yes
LTIP22	4–Mar–25	4–Mar–27	4–Mar–32	904,157	Unvested	Yes
LTIP23	17–Mar–26	17–Mar–28	17–Mar–33	786,352	Unvested	Yes
Sub-total				2,632,657		

Share options (exercised during the year)

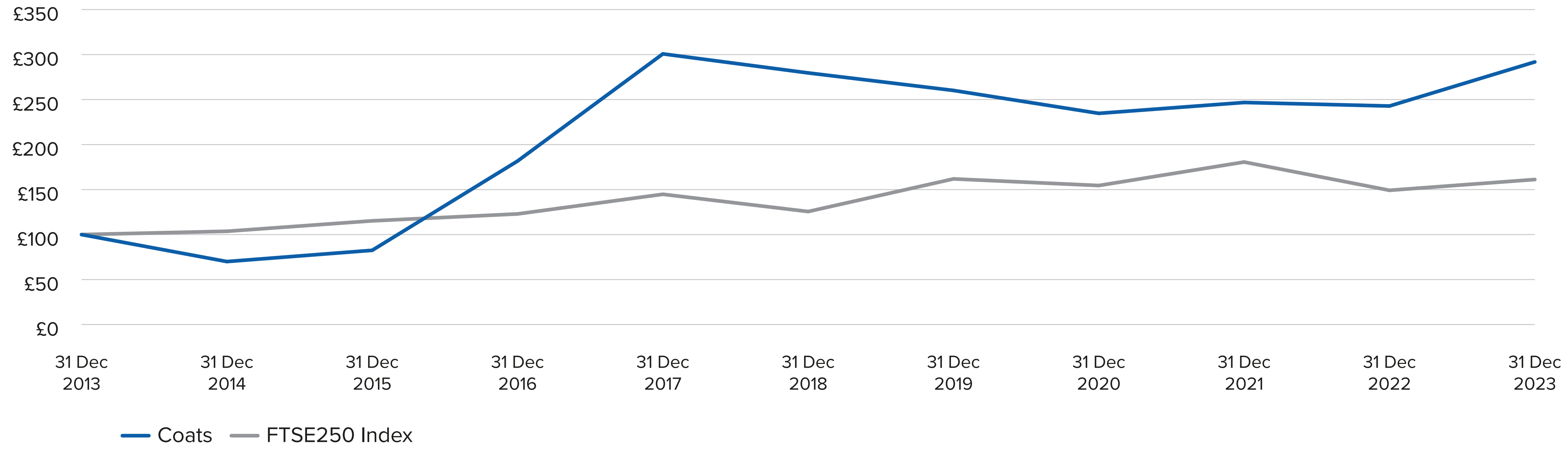
Rajiv Sharma exercised and sold options over 696,226 shares and received dividend equivalents in the form of shares of 29,154 on 26 September 2023 when the share price was 74.05 pence. No other share options were exercised by Directors during the year.

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 2023 was 77.4 pence and the range during the year was 64.3 pence to 80.7 pence.

Directors' remuneration report cont.

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 2014 to 31 December 2023. 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[1,2]

Executive Director	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Name	N/A	Paul Forman	Paul Forman	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma	Rajiv Sharma
CEO single figure of 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	2,707.7
Annual bonus as a % of maximum opportunity	–	87.1%	77.0%	79.5%	66.7%	67.3%	5.0%	97%	84%	66.5%
LTIP award as a % of maximum opportunity	–	–	43.6%	60.0%	84.2%	95.8%	0%	0%	18.2%	96.27%

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.
2. 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 2022 single figure of remuneration has been restated to reflect the value of the LTIP on vesting.

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)			
	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020	2022 to 2023	2021 to 2022	2020 to 2021	2019 to 2020
Rajiv Sharma	5.0%	4.0%	6.9%	-3.6%	12%	-12.7%	25.8%	-46.8%	-16.9%	-9%	1,898.8%	-91.1%
Jackie Callaway	5.0%	4.0%	1.4%	N/A	2.4%	35.7%	-0.6%	N/A	-9.7%	-5.5%	100%	N/A
David Gosnell	0%	37.7%	163.4%	-5%	0%	0%	0%	0%	N/A	N/A	N/A	N/A
Nicholas Bull	11.3%	13.7%	4.4%	-5%	0%	0%	0%	0%	N/A	N/A	N/A	N/A
Sarah Highfield	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Heather Lawrence	0%	0%	N/A	N/A	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Echo Lu	6.6%	6%	22.5%	-5%	0%	0%	0%	0%	N/A	N/A	N/A	N/A
Stephen Murray	7.4%	0%	N/A	N/A	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fran Philip	6.4%	11.1%	2.9%	-5%	0%	0%	0%	0%	N/A	N/A	N/A	N/A
Jakob Sigurdsson	4.9%	2.4%	–6.8%	-5%	0%	0%	0%	0%	N/A	N/A	N/A	N/A
Average of all employees[1]	7.6%	5.5%	3.1%	0%	10.8%	0%	0%	0%	-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. Jackie Callaway, Sarah Highfield, Heather Lawrence and Stephen Murray do not have four years' worth of disclosure as they joined the business during this time. Anne Fahy resigned on 18 May 2022, details of Anne's percentage change can be found in previous years' reports.
4. To enable comparisons, leavers and joiners figures have been annualised. The figures for David Gosnell, Echo Lu and Nicholas Bull in 2022 and 2021 reflect their increased fees following their appointments as Group, Remuneration Committee and Audit Chairs respectively.

Directors' remuneration report cont.

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 2023	Year to 31 December 2022	% change
Employee costs (US$m)	293.7	306.1	-4%
Distributions to shareholders[1] (US$m)	40.6	32.9	23%
Average number of employees	15,539	17,155	-9%
Revenues from continuing operations (US$m) – CER basis	1,394.2	1,487.8	-6%
Operating profit pre-exceptional (US$m) – CER basis	233.4	225.2	4%

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 2023 and 2022 have been stated on the basis of continuing operations only. Information for 2022 includes acquisitions made during the year. The figures for revenues and operating profit are on a constant exchange rate (CER) basis with amounts for 2022 restated at 2023 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

1 During 2022, Coats acquired Texon which includes approximately 100 UK based employees. Giving the timing of this acquisition and differing pay structures, these employees have been excluded for 2022 and 2023. Although employees from Texon have been excluded from the calculations, based on high-level analysis, Coats is comfortable that the inclusion of these employees would not have had a material impact on the overall CEO pay ratio, and that the ratios for are reflective of the overall Group.

The ratio of salary, salary plus bonus have remained relatively stable over the year with an ongoing decreasing trend over time. Total pay is strongly impacted by overall variable pay performance which, on the back of strong LTIP vesting in the year has marginally increased our ratio. 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 2023 (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 CEO is disclosed for the year ended 31 December 2023. The UK workforce is the most appropriate comparator group because the 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 identified above and concludes that the median ratio is a fair reflection of the movement of pay and reward within the UK workforce especially considering that the pay for all three individuals does not include any share-based incentive remuneration. 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 2023 to ensure the percentile ranking for each individual was comparable to all individuals within that quartile grouping. No adjustments have been made to the remuneration other than to ensure that the remuneration is equivalent to a full-time employee and where a performance bonus is relevant an assumption, based on the estimated attainment for the element linked to personal performance has been assumed. 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	678,512	48,671	73,097	123,709
Base and Bonus	1,371,846	48,671	81,643	163,525
Total Remuneration	2,707,701	54,509	90,569	188,989

A significant proportion of the CEO's remuneration is appropriately linked to the Company's performance and share price movements over time which may fluctuate materially over time. To enable a comparison to be made which reflects this element of variable pay a ratio has been calculated which reflects base pay and base pay and bonus.

Directors' remuneration report cont.

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 Groups 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 2023 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 page 47. In addition, during 2023 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 2024

Base salaries for Executive Directors and fees for the Non-Executive Directors will be reviewed on 1 July 2024.

Rajiv Sharma will continue to receive a base salary of £695,000, a car allowance of £20,000 and a pension contribution (aligned to the UK workforce) of 12%.

Jackie Callaway will continue to receive a base salary of £431,550, a car allowance of £15,000 and a pension benefit (aligned to the UK workforce) of 12%.

Both Directors also receive private medical insurance, life and income replacement insurance.

The above Executive Director salaries have been in operation since 1 July 2023 when they were increased by 5%, below the budgeted increase to the workforce of 7% in the UK.

In line with Remuneration Policy, it is expected that the LTIP award for the Chief Executive Officer will be 175% and the maximum annual bonus opportunity will remain 150%. The maximum bonus opportunity for the Chief Financial Officer will remain at 125% and the LTIP award is expected to remain at 150% of salary. The compulsory three-year deferral into shares of the 2023 bonus outcome will be 50% for the Chief Executive Officer and 40% for the Chief Financial Officer. A post-termination minimum 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.

As detailed in the Chair's Introductory Letter, the performance measures were revised to better reflect the current short and longer-term priorities of the Company as follows:

Annual bonus

Measure	Weighting
Sales	10%
Earnings Before Interest and Taxation Margin	20%
Earnings Before Interest and Taxation	20%
Free Cash Flow	30%
Individual objectives	20%

Long Term Incentive

Measure	Weighting
Earnings Per Share CAGR	30%
Three-year Average Cash Conversion	20%
Total Shareholder Return compared to the FTSE250	25%
Sustainability	25%

Annual bonus targets are based on EBIT, Adjusted 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 2024 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, the Committee was in the process of finalising the conditions to apply to the 2024 LTIP awards at the time the Annual Report was finalised. It is the Committee's intention to publish the targets in the announcement notifying the market of the grant of the award.

Directors' remuneration report cont.

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 Director. 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 Advisers 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 advisers act independently. Korn Ferry fees for advising the Remuneration Committee during 2023 were £88,063.

Statement of voting at the General Meeting

At the AGM of the Company on 2023 the results of the vote regarding remuneration (resolution 2 and 3) were:

	Votes for		Votes against		Votes total	Votes withheld
	Number	%	Number	%	Number	Number
Approval of Remuneration Report (*resolution 2*)	1,412,483,258	99.74	3,655,177	0.26	1,416,138,435	31,208
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 2023 was evaluated internally following an externally facilitated review process undertaken last year, as set out in the 2022 Annual Report. The Committee considered the key points that were identified in the previous year's assessment. The 2023 evaluation indicated that the Committee's ways of working and dynamics were working effectively and noted areas they can further enhance their performance in 2024.

Signed on behalf of the Remuneration Committee by:

Echo Lu
Chair, Remuneration Committee

6 March 2024

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.

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 2023, 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.

Remuneration policy report cont.

VARIABLE REMUNERATION cont.

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 22 May 2023 at 2.30pm at FTI Consulting, 200 Aldersgate, London EC1A 4HD.

Corporate Governance Statement

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'; the 'Remuneration Committee Report'; together with this Directors' 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 70 to 72 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 88 to 99.

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 66 to 78. Information on compensation for loss of office is contained in the Directors' Remuneration Report on page 94.

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 2023) of its own ordinary shares was granted at the 2023 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 2023 AGM. No shares were allotted pursuant to this authority during the year.

The issued share capital of the Company at 31 December 2023 was approximately £79,890,520 divided into 1,597,810,385 ordinary shares.

Since 31 December 2023, 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 6 March 2024 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 2023 is set out in the Directors' Remuneration Report on page 95.

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.

Directors' report cont.

	As at 31 December 2023*	As at 6 March 2024*	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

* % 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 (2022: £nil).

Whistleblowing procedure

A whistleblowing, ethics and fraud report is a standing agenda item that is presented quarterly at Board meetings. During the course of 2023, there was an independent review of the Group's whistleblowing policy and associated processes to ensure these were in line with best corporate governance practice. 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 2023, there were 138 whistleblowing concerns raised (2022: 128*). Of these concerns raised, following investigation 18% (2022: 17%*) of the closed cases were upheld and 9 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.

*2022 figures have been restated to reflect the change in internal reporting methodology from number of cases raised to number of individual themes raised. This change was approved by the Group's Ethics Committee.

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 CFO, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant Group Executive Team member.

↓

Allegation is investigated by the nominated team

Findings are presented to the CFO, Chief Legal & Risk Officer and Group Company Secretary, Chief Human Resources Officer and the relevant Group Executive Team member who 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 34 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 2025.

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 106and 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 1.99 cents per share (2022 final dividend: 1.73 cents). Subject to approval at the forthcoming AGM, the final dividend will be paid on 30 May 2024 to ordinary shareholders on the register at 3 May 2024, with an ex-dividend date of 2 May 2024. Alongside the interim dividend of 0.81 cents per share, this makes a total of 2.80 cents per share for the full year 2023.

Greenhouse Gas (GHG) emissions

Absolute emissions for last three years plus 2019 baseline

Thousands of tonnes of CO_2e		2023	2022	2021	2019
Scope 1 Direct[2]		**51.7**	59.6	68.7	73.5
Scope 2 Indirect[3]	Location Based	**172.2**	201.9	213.3	232.6
	Market Based	**59.4**	122.4	172.4	190.9
Scope 3 Value Chain[4]		**882.8**	999.2	1,181.0	1,060.8
Biogenic Emissions CO_2 [5]		24.1	27.5	32.8	38.2

1 To enable like for like comparison, all yearly data has been calculated to exclude divestments made during the reported period. Footwear Division acquisitions (Texon and Rhenoflex) have been fully included across all years, for Scopes 1, 2 & 3, including the 2019 baseline year. 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 CO2e 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^2O emissions associated with bio-mass are included in our reported Scope 2 market based emissions as per GHG protocol guidelines.

Scopes 1 and 2 combined absolute emissions on a market based approach decreased by 39% between 2022 and 2023. To a large extent, this significant reduction in emissions is attributable to two principle factors: production volumes which reduced on a like for like basis due to the continued destocking of supply chains across the textile industry through 2023; and our continued efforts on energy transition where good progress has been made in 2023 to further transition to certified green electricity. In 2023 we increased the proportion of our electricity covered by energy attribute certificates (EACs) to 54%, up from 29% in 2022. Scopes 1 and 2 emissions from our UK facilities in 2023 were 903 tonnes CO_2e and represented 0.8% of our global emissions. 97% of our UK emissions are related to our Skelton manufacturing site, which produces footwear structural components for our Footwear Division.

Emissions Intensity[1]

Greenhouse gas emissions intensity per unit of production

kg CO_2e per kg of finished product	2023	2022[3]	2021[3]
Scopes 1&2	**1.1**	1.5	1.8
Scope 3	**8.6**	8.3	8.8

Greenhouse gas emissions intensity per sales value

tonnes CO_2e per million $ sales	2023[3]	2022[3]	2021[3]
Scopes 1&2[2]	**79.7**	118.4	166.6
Scope 3	**633.2**	649.9	816.2

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 2022: 95, 2021: 95, 2020: 76) and hence relates directly to the industrial activity that drives emissions, while the second uses Group turnover and hence relates to overall commercial activity. Since Scope 3 emissions data does not include new acquisitions the production volume used for 2022 intensity is 83 kilo tonnes; there is no change to 2021 and 2020 production. For Scope 3 value intensity, 2022 sales excluding new acquisitions were $m 1,522.9. 2019 is not used as a baseline for these intensity metrics as that year is only our baseline for our absolute science-based targets.

2 Figures are calculated on a market basis for Scope 2 emissions.

The Scopes 1&2 volume emissions intensity shows a 29% drop between 2023 and 2022. The primary driver for this reduction is the positive progress that has been made in transition to renewable indirect energy through 2023. Scope 3 volume intensity increased marginally from 2022 and was negatively impacted by the reduction in sales volume on cellulosic footwear structural components in 2023 due to supply chain destocking. Through 2023 we have fully incorporated the Texon and Rhenoflex businesses into our Scope 3 reporting, with emissions re-baselined back to 2019. This has resulted in a 12% reduction in Scope 3 volume intensity from previously reported full year 2022 figures, and reflects the higher proportion of sustainable materials used in the Footwear structural components product portfolio.

The overall value intensity for Scopes 1&2 emissions reduced by 33% compared to 2022, with the Scope 3 value intensity reducing by 3% . The difference between the volume and value intensity movements is largely related to movements in price and mix.

Full details on emissions 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	2023[1]	2022[1]	2021
Direct (Fuels)	**262.8**	309.5	354.6
Indirect (bought electricity and steam)	**334.6**	380.0	468.4
Total	**597.4**	689.4	823.0

1 All years data excludes divestments made during that year. All include acquisition of Footwear Division business units (Texon and Rhenoflex)

Through 2023 we further advanced the rollout of our global smart energy metering programme to a further four locations, enabling new actionable insights to be developed to deliver further improvements in energy efficiency. An example of a key insight developed by this system was the inefficient running of factory boilers to generate steam for operation of small volume laboratory machines during periods when there was no demand to operate large production machines. We have now purchased right sized electrical boilers for steam generation in laboratories in two of our largest units and have plans to roll this out to further sites in 2024. As well as improving the energy efficiency, the move to electrical boilers will aid our efforts in energy transition to renewable electricity.

In the period from 2022 to 2023, our energy intensity experienced a 1.3% increase from 6.27 kWh/kg to 6.38. This change was predominantly

Directors' report cont.

driven by a reduction in production volumes, which subsequently led to a higher ratio of fixed energy consumption to variable energy consumption.

Energy consumption in our UK facilities in 2022 was 6,504 MWh and represented 1% 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 3 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 2023 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 198.

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 9.8.4R, can be located as follows:

Subject matter	Page(s)
Important events since the financial year-end	174
Likely future developments in the business	9, 21 to 22
Exposure to price risk, credit risk, liquidity risk and cash flow risk	152
Research and development	21 to 22, 26, 30 & 34
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This Directors' Report was approved by order of the Board.

On behalf of the Board

Stuart Morgan
Company Secretary

6 March 2024

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 that:

- 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 6 March 2024 and is signed on its behalf by:

Rajiv Sharma
Group CEO
6 March 2024

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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 2023 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 December 2023	Balance sheet as at 31 December 2023
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 37 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 2025 used by management in its going concern assessment and testing for arithmetical accuracy of the models, verifying inputs against budgets approved by the Board and agreed the opening net debt to the audited 31 December 2023 financial statements.
- Evaluating the appropriateness of the duration of the going concern assessment period to 30 June 2025 and considering the existence of any significant events or conditions beyond this period, including the re-financing of the RCF in April 2026, 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 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 the 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.

Independent auditor's report to the members of Coats Group plc cont.

  - assessing the impact of the loan facility repayment of $125m due in December 2024 on the Group's forecasted liquidity in the going concern period.
  - assessing the impact of Coats Group plc's climate commitments on the cash flow forecasts.
- Obtaining the Group's existing borrowing facility agreements and:
  - performing a detailed examination of all agreements, to assess their continued availability to the Group throughout the going concern period and to ensure completeness of covenants identified by management.
  - obtaining the signed extensions to the Revolving Credit Facilities extending the facilities until April 2026.
  - assessing the accuracy of management's covenant 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 covenant compliance and performing sensitivity analysis.
- Assessing management's sensitivity scenarios of the Group's cash flow forecast models and their impact on forecast liquidity and forecast covenant compliance and ability to make the loan repayment falling due in December 2024.
- Challenging the appropriateness of management's 'reverse stress test' scenario, to understand how severe conditions would have to be to breach liquidity and/or 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 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 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 2025. We observed that in management's base case and in the downside sensitivity scenario, which both reflect full repayment of the loan due in December 2024, there is liquidity headroom and covenant compliance without considering any identified controllable mitigations.
- Management's going concern assessment was also supported by a reverse stress test with a more severe decline in performance. Management considers such a scenario to be remote, however, in such unlikely event management considers 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 a period to 30 June 2025.

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.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 15 components, full audit procedures on specific balances for a further 10 components, specified audit procedures on specific balances for a further 2 components, and other procedures on the remaining 301 components. – The components where we performed full or specific audit procedures accounted for 74% of Absolute Profit before tax, 80% of Revenue and 88% of Total assets.
Key audit matters	– Revenue recognition (cut-off) – Impairment of goodwill and acquired intangible assets – UK defined benefit pension liability valuation – Provision for uncertain tax positions – Classification of the disposal of the European Zips business as an IFRS 5 discontinued operation
Materiality	– Overall Group materiality of $10 million which represents c.5% of adjusted profit before tax – Parent Company is determined to be $13.4 million which is 1% of equity.

Independent auditor's report to the members of Coats Group plc cont.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 328 reporting components of the Group which consist of legal entities, sub-components of legal entities, profit and cost centres, we selected 27 components covering entities within Vietnam, India, China, Taiwan, USA, Bangladesh, Indonesia, Turkey, Germany, Mexico, Honduras, Columbia, Spain, Romania and United Kingdom, which represent the principal business units within the Group.

Of the 27 components selected, we performed an audit of the complete financial information of 15 components ("full scope components") which were selected based on their size or risk characteristics. For 10 components ("specific scope components"), we performed full audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

For the remaining 2 components ("specified procedures components"), we performed certain audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 74% of the Group's Absolute Profit before tax, 80% of the Group's Revenue and 88% of the Group's Total assets. For the current year, the full scope components contributed 61% of the Group's Absolute Profit before tax, 63% of the Group's Revenue and 77% of the Group's Total assets. The specific scope components contributed 10% of the Group's Absolute Profit before tax, 12% of the Group's Revenue and 9% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 2 locations to perform specified procedures over certain aspects of revenue, cost of sales, trade receivables, inventory, and cash, as described in the Risk section above.

Of the remaining 301 components that together represent 26% of the Group's Absolute profit before tax, none are individually greater than 5% of the Group's Absolute profit before tax. For these components, we performed other procedures, including analytical review procedures and use of data analytics tools over revenue to identify items for further investigation for 25 review scope components, analytical review procedures for the remaining components at either aggregated or individual component levels, testing of consolidation journals, intercompany eliminations, inquiries of management and foreign currency translations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Absolute profit before tax

Full scope components	61%
Specified scope components	10%
Specified procedures components	3%
Other procedures	26%

Revenue

Full scope components	63%
Specified scope components	12%
Specified procedures components	5%
Other procedures	20%

Total assets

Full scope components	77%
Specified scope components	9%
Specified procedures components	2%
Other procedures	12%

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 primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 15 full scope components, audit procedures were performed on 1 of these directly by the primary audit team. Of the 10 specific scope components, audit procedures were performed on 6 of these directly by the primary audit team. For the 2 specified procedures components, audit procedures were performed directly by the component teams.

Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

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, physical visits were undertaken by the primary audit team to the component team in China, India, Vietnam, Indonesia, Taiwan, Germany, Turkey and Mexico. These visits involved understanding the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning, reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the 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.

The primary audit team interacted regularly with the local EY full scope, specific scope and specified procedures 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 programme. 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 2024 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 consolidated financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact 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 181-197 in the required Task Force for Climate related Financial Disclosures and on pages 52-58 in the principal risks and uncertainties. They have also explained their climate commitments on pages 68-69. 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 climate change 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, while we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the Impairment of goodwill and acquired intangible assets allocated to the Footwear cash generating unit key audit matter. Details of the impact, our procedures and findings are included in our explanation of key audit matters below.

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) $1,394 million (2022: $1,538 million) *Refer to the Audit Committee Report (page 79); Accounting policies (page 117); and Note 3 of the Consolidated Financial Statements (page 121)* There is the 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 15 full scope, 10 specific scope and 2 specified procedure components with material revenue balances, which covered 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 understanding of the revenue recognition processes and key controls. – Obtained 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 and independently testing a sample of transactions therein by vouching to invoices and proof of delivery. – Inspected third party evidence (e.g., contracts with customers, purchase orders) to test validity of incoterms and understand the conditions required to satisfy the performance obligations. – Tested an independent sample of transactions invoiced in the 21 days for 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:	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.

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
	– Key items based on a quantitative threshold or specific qualitative factors. – 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. – Tested a sample of journal entries recorded at or near year end as well as top-side adjustments 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 20% 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 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 Footwear goodwill and acquired intangible assets (Goodwill: $98 million (2022: $98 million) and acquired intangible assets $221 million (2022: $240 million)) *Refer to the Audit Committee Report (page 79); Accounting policies (page 114); and Note 13 of the Consolidated Financial Statements (page 137)* This is an area of focus due to the significance of the carrying value of the goodwill and acquired intangibles assets. The estimation of recoverable amount involves significant judgements including assumptions relating to future cash flows, discount rate, long-term growth rates and the success of strategic projects including integration of the Rhenoflex and Texon businesses and the resulting economic benefits (synergies).	The below procedures were performed by the primary team. We validated that the methodology of the impairment exercise is consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of the Footwear cash generating unit for value in use calculations. Below we summarise the procedures performed in relation to the key assumptions for the goodwill and acquired intangibles allocated to the Footwear cash generating unit: – Understood management's process for the annual 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. – Engaged EY Valuation specialists to assess the appropriateness of the discount rate, including a review of the discount rate methodology, long-term growth rates, and the overall methodology used in the value-in-use model prepared for the purposes of the Footwear cash generating unit impairment assessment. – Assessed management's forecasting ability by comparing forecasts to actual results for this year and prior year. – Performed independent research to identify contrary information and evaluate assumptions for management bias. – Performed sensitivity analysis over key assumptions underpinning management's forecasts including discount rate, growth rate and assumptions relating to synergies due to the integration of the two businesses acquired in 2022 and incorporated into the new Footwear cash generating unit. – Performed a reverse stress test to assess the extent of change in assumptions needed for there to be an impairment. – Assessed the appropriateness of the Group's disclosures in the consolidated financial statements.	Based on our audit procedures we have concluded that no impairment of goodwill or acquired intangible assets allocated to the Footwear cash generating unit was identified. We highlighted that a reasonably possible change in certain key assumptions, including short-term growth rates, change in discount rate, and long-term growth used to determine the terminal value of the Footwear cash generating unit, do not result in impairment. 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
UK Defined benefit pension liability valuation – gross value of pension liability in the current year is $1,894 million (2022: $1,786 million) *Refer to the Audit Committee Report (page 79); Accounting policies (page 117); and Note 10 of the Consolidated Financial Statements (page 127)* At 31 December 2023 the gross defined benefit liability recognised in the Consolidated Statement of Financial Position was $1,894m (2022: $1,786m) There is a risk of material misstatement relating to the judgements made by management in valuing the defined benefit pension liabilities including the use of key model input assumptions specifically the discount rate, mortality assumption and inflation rate. These variables can have a material impact in calculating the quantum of the retirement benefit liability. Management identified UK retirement benefit obligations as a key source of estimation uncertainty in note 1 of the financial statements and discuss the matter as a significant financial and reporting issue in the Audit and Risk Committee report on page 79.	The below procedures were performed by the Primary team where we: – Understood management's process for accounting and valuation of the UK defined benefit obligation 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 determined whether the key assumptions are within a reasonable expected range. Testing covered 94% of the defined benefit pension liabilities. – Challenged management's key assumptions by reference to illustrative benchmark rates, sensitising for any difference between management's rates and the illustrative benchmark rates. – Assessed management's judgement that an unconditional right to recover the UK and US schemes surpluses exist by comparison to the underlying scheme rules and the view of management's external specialist. – Assessed the impact of the High Court ruling (Virgin Media v NTL Pension) on 16 June 2023 regarding the contracted-out defined benefit pension schemes, with the assistance of our pension specialists. – Recalculated management's adjustment with respect to withholding tax impact on the pension surplus for the current and prior periods. – Assessed the completeness and accuracy of management's disclosures within the financial statements in accordance with IAS 19 Employee Benefits and determined whether any critical accounting judgements or key sources of estimation uncertainty exist that require further disclosure under IAS 1.	From the work performed we are satisfied that the key assumptions applied in respect of the valuation of the UK scheme liabilities are appropriate. We take no exception to management's judgement that it is appropriate to recognise a surplus in respect of the UK and US scheme in accordance with IFRIC 14. However, in completing our audit procedures, we identified two material errors impacting the current and prior period pertaining to the recognition of surpluses in the UK and US pension schemes in accordance with IFRIC 14, leading to a restatement of prior period comparatives. We concluded that the related disclosures in the financial statements are appropriate including the presentation and disclosure of the prior period errors with respect to recognition of the UK and US pension surpluses in accordance with IFRIC 14.

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 – $26.3 million (2022: $26.6 million) *Refer to the Audit Committee Report (page 79); Accounting policies (page 118); and Note 9 of the Consolidated Financial Statements (page 125)* 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. Our procedures included: – Performing a walkthrough of the tax provisioning process and identifying key controls. We also evaluated the appropriateness of the Group's transfer pricing and uncertain tax provisioning policies. – Meeting with tax management to understand the Group cross-border transactions, status of all significant matters, including those provided for, and any changes to management's judgements in the year. – Reading correspondence with tax authorities and external advisors to inform our assessment of recorded estimates and evaluate the completeness of the provisions recorded, directly engaging with external advisors where appropriate. For the most material cases, we met external advisors to understand the key judgements in the case and utilised relevant internal specialists. – Independently assessing management's significant assumptions and judgements to record or release provisions following tax audits, settlements and the expiry of statute of limitations. – Testing the accuracy of the calculation of the year end provisions by inspecting underlying documentation and supporting schedules. – Evaluating the adequacy of tax disclosures.	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.

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
Classification of the Disposal of the European Zips Business as an IFRS 5 Discontinued Operation **Profit from continuing operations impact – $26.7 million (2022: $0.1 million)** *Refer to the Audit Committee Report (page 79); Accounting policies (page 110); and Note 32 of the Consolidated Financial Statements (page 149)* Judgement is required in order to determine whether the disposal of the European Zips business meets the discontinued operation criteria (being a separate major line of business or geographic area) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In the event of a misclassification of the disposal, there may be a risk that it impairs the ability of the users of the financial statements to make informed decisions in the current and subsequent year. This risk is new in the current year as the disposal took place in 2023.	In order to respond to the classification risk, we: – Obtained and reviewed management's paper in relation to the proposed accounting and disclosure for the disposal of the European Zips business and their conclusion that it represents a separate major line of business; – Engaged our IFRS and Subject Matter Group technical specialists to review the fact pattern in relation to the disposal and proposed accounting treatment by management; – Performed a peer and an industry benchmark review to look for similar in nature disposals and assessed the fact pattern of the disposal of the European Zips business against such disposals and the adopted accounting treatment; and – We reviewed the accounting treatment adopted by management for disposals of a similar nature in the past. Furthermore, we considered whether a different judgement in respect of the associated accounting and disclosure would be material to the users of the consolidated financial statements. In forming our view, we: – Considered the impact on the primary financial statements and notes to the consolidated financial statements; – Reviewed the disclosures in the critical accounting judgements section and note 1 of the consolidated financial statements; – Reviewed analyst reports to understand the performance measures and key performance indicators that investors and analysts are interested in; – Understood the impact of the disposal on the performance measures underpinning management remuneration; – Evaluated the impact of the accounting treatment of the disposal on covenant compliance; – Considered the impact on KPIs which are constituted of non-GAAP adjusted alternative performance measures; and – Considered the impact on long-term and year on year trends on earnings and EPS metrics.	Following completion of our planned procedures, we concluded that the classification of the European Zips business as an IFRS 5 discontinued operation does not constitute a material error in the consolidated financial statements given the totality of information provided in the consolidated financial statements, including the disclosures relevant to this matter provided in note 1, and note 32.

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Independent auditor's report to the members of Coats Group plc cont.

Our application of 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 $10 million which is c.5% 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 $13.4 million which is 1% of equity which is the metric the investors and shareholder are most interest given the Parent Company holds the investment of the entire Coats Group.

Starting basis
- $155.8 million
- Profit before tax

Adjustments
- Add back $49.4 million for exceptional and acquisition related items

Materiality
- Totals $205.2 million adjusted profit before tax
- Materiality of $10 million (c.5% of adjusted profit before tax

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 50% of our planning materiality, namely $5 million. We have set performance materiality at this percentage because Coats Group plc is a first-year audit engagement for EY.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. 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 $1.0 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 $0.5 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 1 to 107, including taskforce on climate-related financial disclosures report, group structure and five-year summary set out on pages 181 to 204, 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.

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.

Independent auditor's report to the members of Coats Group plc cont.

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 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 102;
– 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 102;
– 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 58 and 102;
– Directors' statement on fair, balanced and understandable set out on page 78;
– 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 105, 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.

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 frameworks which are directly relevant to specific assertions in

Independent auditor's report to the members of Coats Group plc cont.

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 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 https://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 and Risk 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 one year as this is the first audit year.
- 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
6 March 2024

Consolidated income statement

Year ended 31 December	Notes	2023 Before exceptional and acquisition related items US$m	2023 Exceptional and acquisition related items (see note 4) US$m	2023 Total US$m	2022* Before exceptional and acquisition related items US$m	2022* Exceptional and acquisition related items (see note 4) US$m	2022* Total US$m
Continuing operations:							
Revenue	2,3	**1,394.2**	**–**	**1,394.2**	1,537.6	–	1,537.6
Cost of sales		**(910.9)**	**(18.2)**	**(929.1)**	(1,049.3)	(9.9)	(1,059.2)
Gross profit		**483.3**	**(18.2)**	**465.1**	488.3	(9.9)	478.4
Distribution costs		**(115.9)**	**(2.6)**	**(118.5)**	(122.0)	(3.8)	(125.8)
Administrative expenses		**(134.0)**	**(34.4)**	**(168.4)**	(133.6)	(39.1)	(172.7)
Other operating income		**–**	**5.8**	**5.8**	–	1.2	1.2
Operating profit	2,4,5	**233.4**	**(49.4)**	**184.0**	232.7	(51.6)	181.1
Share of profits of joint ventures	16	**1.1**	**–**	**1.1**	1.1	–	1.1
Finance income	6	**4.6**	**–**	**4.6**	2.6	–	2.6
Finance costs	7	**(33.9)**	**–**	**(33.9)**	(32.3)	(1.1)	(33.4)
Profit before taxation	5	**205.2**	**(49.4)**	**155.8**	204.1	(52.7)	151.4
Taxation	9	**(57.9)**	**2.9**	**(55.0)**	(60.1)	3.7	(56.4)
Profit from continuing operations		**147.3**	**(46.5)**	**100.8**	144.0	(49.0)	95.0
Loss from discontinued operations	32	**(1.3)**	**(25.4)**	**(26.7)**	(1.5)	(86.2)	(87.7)
Profit for the year		**146.0**	**(71.9)**	**74.1**	142.5	(135.2)	7.3
Attributable to:							
Equity shareholders of the company		**127.8**	**(71.3)**	**56.5**	120.2	(134.9)	(14.7)
Non-controlling interests		**18.2**	**(0.6)**	**17.6**	22.3	(0.3)	22.0
		146.0	**(71.9)**	**74.1**	142.5	(135.2)	7.3
Earnings/(loss) per share (cents):	11						
Continuing operations:							
Basic				**5.18**			4.82
Diluted				**5.13**			4.79
Continuing and discontinued operations:							
Basic				**3.52**			(0.98)
Diluted				**3.48**			(0.97)
Adjusted earnings per share	37(d)	**8.04**			8.02		

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Notes on pages 125 to 177 form part of these financial statements.

Consolidated statement of comprehensive income

Year ended 31 December	2023 US$m	Restated* 2022 US$m
Profit for the year	**74.1**	7.3
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit schemes (note 10)	**(70.8)**	15.3
Tax relating to items that will not be reclassified	**(0.2)**	5.4
	(71.0)	20.7
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(0.4)**	(27.2)
Remeasurement of equity investment at fair value	**(6.7)**	–
	(7.1)	(27.2)
Items reclassified to profit or loss:		
Exchange differences transferred to income statement on sale of business (note 32)	**6.6**	15.0
Other comprehensive income and expense for the year	**(71.5)**	8.5
Net comprehensive income and expense for the year	**2.6**	15.8
Attributable to:		
Equity shareholders of the company	**(14.3)**	(5.5)
Non-controlling interests	**16.9**	21.3
	2.6	15.8

* Pension surplus amounts at 31 December 2022 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

Notes on pages 125 to 177 form part of these financial statements.

Consolidated statement of financial position

31 December	Notes	2023 US$m	*Restated 2022 US$m	*Restated 2021 US$m
Non-current assets:				
Goodwill	13	**126.1**	124.7	26.2
Other intangible assets	13	**470.7**	488.7	256.7
Property, plant and equipment	14	**243.2**	256.3	244.5
Right-of-use assets	15	**74.4**	96.5	91.6
Investments in joint ventures	16	**12.8**	13.1	12.0
Other equity investments	16	**0.9**	5.9	6.0
Deferred tax assets	17	**18.0**	24.4	20.7
Pension surpluses	10	**148.2**	186.9	163.7
Trade and other receivables	19	**19.5**	20.2	28.7
		1,113.8	1,216.7	850.1
Current assets:				
Inventories	18	**173.5**	211.4	250.1
Trade and other receivables	19	**292.0**	286.3	302.7
Pension surpluses	10	**1.6**	2.0	5.2
Cash and cash equivalents	30(g)	**132.4**	172.4	107.2
Non-current assets classified as held for sale		**1.0**	–	–
		600.5	672.1	665.2
Total assets		**1,714.3**	1,888.8	1,515.3
Current liabilities:				
Trade and other payables	21	**(285.6)**	(278.4)	(346.8)
Income tax liabilities		**(45.5)**	(20.2)	(16.5)
Bank overdrafts and other borrowings	23	**(144.3)**	(16.7)	(19.2)
Lease liabilities	15	**(17.5)**	(19.0)	(17.8)
Retirement benefit obligations:				
– Funded schemes	10	**(0.8)**	(27.6)	(41.9)
– Unfunded schemes	10	**(7.7)**	(5.0)	(6.1)
Provisions	25	**(17.1)**	(18.2)	(8.1)
		(518.5)	(385.1)	(456.4)
Net current assets		**82.0**	287.0	208.8

31 December	Notes	2023 US$m	*Restated 2022 US$m	*Restated 2021 US$m
Non-current liabilities:				
Trade and other payables	21	**(3.2)**	(26.3)	(24.2)
Deferred tax liabilities	24	**(63.9)**	(78.2)	(26.5)
Borrowings	23	**(372.2)**	(550.1)	(235.1)
Lease liabilities	15	**(69.3)**	(86.4)	(81.2)
Retirement benefit obligations:				
– Funded schemes	10	**(2.9)**	(3.3)	(5.6)
– Unfunded schemes	10	**(75.6)**	(83.4)	(90.2)
Provisions	25	**(19.3)**	(25.4)	(27.7)
		(606.4)	(853.1)	(490.5)
Total liabilities		**(1,124.9)**	(1,238.2)	(946.9)
Net assets		**589.4**	650.6	568.4
Equity:				
Share capital	26	**99.0**	99.0	90.1
Share premium account	27	**111.4**	111.4	10.5
Own shares	26, 27	**(6.1)**	(0.1)	(0.5)
Translation reserve	27	**(109.7)**	(116.6)	(105.1)
Capital reduction reserve	27	**59.8**	59.8	59.8
Other reserves	27	**246.3**	246.3	246.3
Retained profit	27	**157.4**	216.7	236.2
Equity shareholders' funds		**558.1**	616.5	537.3
Non-controlling interests	27	**31.3**	34.1	31.1
Total equity		**589.4**	650.6	568.4

* Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

Rajiv Sharma
Group Chief Executive

Jackie Callaway
Chief Financial Officer

Approved by the Board 6 March 2024

Company Registration No.103548

Notes on pages 125 to 177 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 profit US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance as at 1 January 2022 as originally reported	90.1	10.5	(0.5)	(105.7)	59.8	246.3	252.5	553.0	31.1	584.1
Restatement in respect of prior year*	–	–	–	0.6	–	–	(16.3)	(15.7)	–	(15.7)
Balance as at 1 January 2022 as restated	90.1	10.5	(0.5)	(105.1)	59.8	246.3	236.2	537.3	31.1	568.4
(Loss)/profit for the year	–	–	–	–	–	–	(14.7)	(14.7)	22.0	7.3
Other comprehensive income and expense for the year	–	–	–	(11.5)	–	–	20.7	9.2	(0.7)	8.5
Application of IAS 29 (note 1)	–	–	–	–	–	–	5.0	5.0	–	5.0
Dividends (see notes 12 and 27)	–	–	–	–	–	–	(32.9)	(32.9)	(18.3)	(51.2)
Issue of ordinary shares	8.9	100.9	–	–	–	–	–	109.8	–	109.8
Purchase of own shares by Employee Benefit Trust	–	–	(2.1)	–	–	–	–	(2.1)	–	(2.1)
Movement in own shares	–	–	2.5	–	–	–	(2.5)	–	–	–
Share based payments	–	–	–	–	–	–	4.6	4.6	–	4.6
Deferred tax on share schemes	–	–	–	–	–	–	0.3	0.3	–	0.3
Balance as at 31 December 2022	99.0	111.4	(0.1)	(116.6)	59.8	246.3	216.7	616.5	34.1	650.6

	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 profit US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
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 (see notes 12 and 27)	–	–	–	–	–	–	(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**

* Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

Notes on pages 125 to 177 form part of these financial statements.

Consolidated statement of cash flows

Year ended 31 December	Notes	2023 US$m	2022 US$m
Cash inflow from operating activities:			
Cash generated from operations	30(a)	**217.3**	176.5
Interest paid	30(b)	**(33.7)**	(25.5)
Taxation paid	30(c)	**(59.7)**	(54.6)
Net cash generated by operating activities		**123.9**	96.4
Cash outflow from investing activities:			
Investment income	30(d)	**0.6**	0.5
Net capital expenditure and financial investment	30(e)	**(19.7)**	(31.6)
Acquisition of businesses	30(f)	**–**	(271.2)
Disposals of business	30(f)	**(1.2)**	(17.0)
Net cash absorbed in investing activities		**(20.3)**	(319.3)
Cash (outflow)/inflow from financing activities:			
Issue of ordinary shares	26	**–**	109.8
Purchase of own shares by Employee Benefit Trust		**(10.1)**	(2.1)
Dividends paid to equity shareholders		**(40.3)**	(33.0)
Dividends paid to non-controlling interests		**(19.7)**	(18.3)
Payment of lease liabilities		**(18.5)**	(18.1)
Borrowings settled on completion of acquisitions	31	**–**	(62.5)
(Repayment)/drawdown of term loan acquisition facility	30(g)	**(240.0)**	240.0
Issue of senior notes	30(g)	**248.6**	–
Net (decrease)/increase in other borrowings		**(67.0)**	79.2
Net cash (absorbed in)/generated from financing activities		**(147.0)**	295.0

Year ended 31 December	Notes	2023 US$m	2022 US$m
Net (decrease)/increase in cash and cash equivalents		**(43.4)**	72.1
Net cash and cash equivalents at beginning of the year		**157.7**	90.8
Foreign exchange losses on cash and cash equivalents		**(2.8)**	(5.2)
Net cash and cash equivalents at end of the year	30(g)	**111.5**	157.7
Reconciliation of net cash flow to movements in net debt			
Net (decrease)/increase in cash and cash equivalents		**(43.4)**	72.1
Repayment/(drawdown) of term loan acquisition facility	30(g)	**240.0**	(240.0)
Issue of senior notes	30(g)	**(248.6)**	(240.0)
Net decrease/(increase) in other borrowings		**67.0**	(79.2)
Change in net debt resulting from cash flows (free cash flow)	37(e)	**15.0**	(247.1)
Net movement in lease liabilities during the period		**17.5**	(13.0)
Movement in fair value hedges		**(1.2)**	5.2
Other non-cash movements		**(1.5)**	(1.0)
Foreign exchange (losses)/gains		**(0.9)**	2.2
Decrease/(increase) in net debt		**28.9**	(253.7)
Net debt at the start of the year		**(499.8)**	(246.1)
Net debt at the end of the year	30(g)	**(470.9)**	(499.8)

Notes on pages 125 to 177 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.

In the course of preparing the financial statements, the below critical judgements and key sources of estimation uncertainty have had a significant effect on the amounts recognised in the financial statements for the year ended 31 December 2023. The critical accounting judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022, except for the critical accounting judgement relating to the sale of the European Zips business in 2023 set out below.

Critical judgements in applying the Group's accounting policies

Exceptional and acquisition related items

As set out in the Group's accounting policy below, 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.

UK pension surplus recognition

The Group has recognised a net defined benefit pension surplus for the Coats UK Pension Scheme under IAS 19 of $102.2 million at 31 December 2023 (2022: $117.5 million). Judgement has been applied when interpreting the scheme rules to determine whether the Group can recognise this surplus asset amount on the statement of financial position or whether any economic benefits available as a refund are contingent upon factors beyond the Group's control and instead require an adjustment to be made to restrict the amount of the surplus recognised and reflect a liability arising from future committed contributions to the Coats UK Pension Scheme under IFRIC 14. The Group has determined that it has an unconditional right to a refund of the surplus assuming the gradual settlement of liabilities over time and therefore has recognised the full amount of the net defined benefit pension surplus. Please see note 10 for further details.

Discontinued operations

In management's judgement the European Zips business which was sold in August 2023 represents a separate major line of business and therefore its results for 2023 have been presented as a discontinued operation with 2022 comparative amounts represented to reclassify the results of the European Zips business from continuing operations to discontinued operations (see note 32 for further details of the sale).

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 (2022: $1,583.8 million and $234.9 million respectively). The Group's revenue and operating profit before exceptional and acquisition related items from continuing operations for the year ended 31 December 2023 was $1,394.2 million and $233.4 million respectively (2022: $1,537.6 million and $232.7 million respectively) with the European Zips business reported as a discontinued operation.

In addition the loss on disposal of the European Zips business of $23.7 million, including foreign exchange losses transferred to the income statement on disposal, would have been presented as other operating costs from continuing operations under exceptional and acquisition related items. Other exceptional costs incurred by the European Zips business of $1.7 million would also have been charged to operating profits from continuing operations. As a result, total exceptional and acquisition related items charged to operating profits from continuing operations would have been $74.8 million compared to $49.4 million that has been reported for the year ended 31 December 2023. See note 32 for further details on the results of the European Zips business.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other 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, are discussed below.

Notes to the financial statements cont.

1 Principal accounting policies cont.

UK retirement benefit obligations

The UK retirement benefit surplus recognised in the consolidated statement of financial position is the net of the fair value of scheme assets less the present values of the defined benefit obligations at the year end. Key assumptions involved in the determination of the present values of the defined benefit obligations include discount rates, beneficiary mortality and inflation rates. Changes in any or all of these assumptions could materially change the employee benefit surplus recognised in the consolidated statement of financial position. Sensitivities regarding the discount rate and inflation assumptions used to measure the liabilities of the UK pension scheme are set out in note 10.

a) Accounting convention and format

The Group's financial statements for the year ended 31 December 2023 have been prepared in accordance with international accounting standards in conformity 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 2022.

b) Basis of preparation

Prior period restatement of pension surplus amounts

Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as set out in note 10. There is no impact on either profits or cash flows for the year ended 31 December 2022.

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 is presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023. Amounts for year ended 31 December 2022 in the consolidated income statement have been represented to reclassify the results of the European Zips business from continuing operations to discontinued operations. Note 32 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 2025. 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 2023 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:

Notes to the financial statements cont.

1 Principal accounting policies cont.

- A base case scenario, aligned to the latest Group budget for 2024 as well as the Group's updated Medium Term Plan for 2025, which takes into account the repayment of $125 million of US Private Placement debt that matures during the going concern assessment period;
- A number of downside scenarios have been prepared, which all assume that the global economic environment is depressed over the assessment period. One of these scenarios assumes trading broadly in line with 2023, this scenario is considered to be severe but plausible as 2023 was impacted by high inflation, elevated interest rates and the unprecedented industry destocking, which is not expected to reoccur given improving sales trends and normalising customer inventory levels. Further, even more severe downside scenarios, which assume declines in trading performance relative to that seen in the past 12 months, continue to show significant liquidity and covenant headroom; 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 9, the Directors expect the Group to make good progress in 2024 underpinned by modest but accelerating revenue growth, with a weighting to the second half and the base case scenario reflects these expectations. The severe but plausible downside scenario includes further management actions that would be deployed if required (for example further reduction in costs).

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 2023 the Group's net debt (excluding IFRS 16 leases liabilities) was $384.1 million (2022: $394.4 million). The Group's committed debt facilities total $835 million across its Banking and US Private Placement group, with a range of maturities from December 2024 through to 2030. In the base case, severe but plausible downside scenario and reverse stress test scenario it has been assumed that the $125 million of US Private Placement maturing during the going concern assessment period in December 2024 will be repaid in full through a drawdown in the Group's revolving credit facility. The Directors expect that the revolving credit facility, which matures in April 2026, will be refinanced on similar terms. As of 31 December 2023 the Group had around $315 million of headroom against these committed banking facilities. In all three scenarios 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) 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 2023, with leverage of 1.5x and interest cover of 8.2x. 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 2025.

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 2023.

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.

Notes to the financial statements cont.

1 Principal accounting policies cont.

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.

The principal exchange rates (to the US dollar) used in preparing these financial statements are as follows:

		2023	2022
Average	Sterling	**0.80**	0.81
	Euro	**0.92**	0.95
	Chinese Renminbi	**7.08**	6.73
	Indian Rupee	**82.56**	78.59
	Turkish Lira*	**23.79**	16.57
Period end	Sterling	**0.79**	0.83
	Euro	**0.91**	0.93
	Chinese Renminbi	**7.10**	6.90
	Indian Rupee	**83.19**	82.72
	Turkish Lira	**29.48**	18.69

* 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" was applied for the first time for the year ended 31 December 2022. 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. The translation adjustment resulting from the initial application of IAS 29 of $5.0 million was recognised in equity. A net monetary gain of $2.3 million for the year ended 31 December 2023 (2022: $1.9 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 2023 was 65% (2022: 64%).

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.

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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 181-197 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 were identified in relation to the CGUs that were subject to an impairment review during the year ended 31 December 2023 (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:

– Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
– IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
– Definition of Accounting Estimates (Amendments to IAS 8); and
– Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The adoption of these standards has not had a material impact on the financial statements of the Group.

The Group has applied the exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12 Income taxes in respect of Pillar Two income taxes. Accordingly, the Group has not recognised or disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes (see note 9).

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 2024:

– 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).

From the year beginning 1 January 2025:

– Lack of Exchangeability (Amendments to IAS 21).

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.

Following the acquisitions of Texon and Rhenoflex in July and August 2022 respectively, effective 1 January 2023 the Group's organisational structure and reporting structure consists of three divisions: Apparel, Footwear and Performance Materials (year ended 31 December 2022: two divisions Apparel & Footwear and Performance Materials).

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.

From 1 January 2023, 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.

As a result of the above, the reportable segments were changed in 2023 to Apparel, Footwear and Performance Materials and comparative information for the year ended 31 December 2022 has been restated on a consistent basis. Previously the reportable segments for the year ended 31 December 2022 comprised Apparel & Footwear and Performance Materials.

Notes to the financial statements cont.

2 Segmental analysis cont.

a) Segment revenue and results

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**

Year ended 31 December 2022*	Apparel US$m	Footwear US$m	Performance Materials US$m	Total US$m
Continuing operations				
Revenue	817.5	299.7	420.4	1,537.6
Segment profit	130.4	68.2	34.1	232.7
Exceptional and acquisition related items (note 4)				(51.6)
Operating profit				181.1
Share of profits of joint ventures				1.1
Finance income				2.6
Finance costs				(33.4)
Profit before taxation from continuing operations				151.4

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1) and restated following the change in reportable segments to Apparel, Footwear and Performance Materials (previously Apparel & Footwear and Performance Materials).

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.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 1.

b) Geographic information

	Revenue by origin		Revenue by destination		Non-current assets	
Year ended 31 December	2023 US$m	2022* US$m	2023 US$m	2022* US$m	2023 US$m	2022 US$m
Europe, Middle East & Africa (EMEA)						
UK	**29.8**	23.1	**12.5**	13.0	**258.7**	256.8
Rest of EMEA	**295.5**	262.1	**257.2**	237.8	**182.3**	195.0
Americas						
USA	**141.9**	219.4	**155.9**	238.7	**37.6**	51.0
Rest of Americas	**104.4**	121.2	**99.6**	118.1	**62.0**	52.8
Asia & Rest of World						
India	**163.4**	184.4	**162.1**	184.0	**34.6**	39.7
China and Hong Kong	**228.4**	234.9	**192.5**	198.4	**277.6**	301.8
Vietnam	**198.4**	213.5	**173.5**	215.0	**34.7**	38.7
Other	**232.4**	279.0	**340.9**	332.6	**60.2**	63.7
	1,394.2	1,537.6	**1,394.2**	1,537.6	**947.7**	999.5

Non-current assets excludes derivative financial instruments, investments, pension surpluses and deferred tax assets.

3 Revenue

An analysis of the Group's revenue is as follows:

Year ended 31 December	2023 US$m	2022* US$m
Goods transferred at a point in time	**1,385.1**	1,527.4
Software solutions services transferred over time	**9.1**	10.2
	1,394.2	1,537.6
Other operating income	**5.8**	1.2
Finance income	**4.6**	2.6
	1,404.6	1,541.4

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

The software solutions business is included in the Apparel segment.

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	2023 US$m	2022* US$m
Continuing operations:		
Asia	**822.6**	911.8
Americas	**246.3**	340.6
EMEA	**325.3**	285.2
	1,394.2	1,537.6
Continuing operations:		
Apparel	**689.4**	817.5
Footwear	**368.4**	299.7
Performance Materials	**336.4**	420.4
	1,394.2	1,537.6

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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 37.

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 2023 were $49.4 million (2022: $52.7 million) comprising exceptional items for the year ended 31 December 2023 of $27.9 million (2022: $28.9 million) and acquisition related items for the year ended 31 December 2023 of $21.5 million (2022: $23.8 million). Taxation in respect of exceptional and acquisition related items is set out in note 9.

Exceptional items

Exceptional items charged/(credited) to operating profit during the year ended 31 December 2023 are set out below:

Year ended 31 December	2023 US$m	2022* US$m
Exceptional items:		
Strategic project costs:		
– Cost of sales	**13.4**	9.9
– Distribution costs	**1.3**	3.8
– Administration costs	**9.1**	16.4
	23.8	30.1
Profit from sale of property and businesses:		
– Other operating income	**(5.8)**	(1.2)
Costs from integration of Footwear acquisitions:		
– Cost of sales	**4.8**	–
– Distribution costs	**1.3**	–
– Administration costs	**0.2**	–
	6.3	–
Lower Passaic River non-cash impairment charge:		
– Administration costs	**3.6**	–
Total exceptional items charged to profit before taxation from continuing operations	**27.9**	28.9

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Notes to the financial statements cont.

4 Exceptional and acquisition related items cont.

Strategic project costs – At the end of 2021 the Group commenced a strategic project to improve margins by optimising the portfolio and footprint, improving the overall cost base efficiency, and mitigating structural labour availability issues in the US. During the year ended 31 December 2023 activities were undertaken to establish a second new plant in Mexico at Toluca. Further initiatives in the US to deliver operating efficiencies and mitigate structural labour availability were advanced. In addition the Group undertook optimisation initiatives in China and India. In China, manufacturing activities of lower-margin zip production ceased and were outsourced to a third party supplier. In India, there have been headcount reductions, with office and warehouse space being consolidated.

During the year ended 31 December 2022 a new facility was established in Huamantla, Mexico, manufacturing processes were transferred from the US and a legacy facility in the US was exited. In EMEA thread operations in Romania were consolidated in a purpose-built logistics facility and warehouses in Poland and Hungary were exited. Corporate and overhead activities in the UK and US were moved closer to the Group's operations and customers and UK and US offices were exited.

As a result of these activities, exceptional restructuring costs totalling $23.8 million were incurred during the year ended 31 December 2023 (2022: $30.1 million) which included:

– severance and related employee costs of $11.1 million (2022: $22.0 million);
– non-cash impairment charges of property, plant and equipment, right-of-use assets and inventories of $5.2 million (2022: $4.7 million); and
– legal, advisers, closure and related costs of $7.5 million (2022: $3.4 million).

Profit from sale of property and businesses– During the year ended 31 December 2023 profit from the sale of land and buildings as part of the above strategic project was $5.8 million (2022: $1.2 million). In addition the Group completed the sale of its businesses in Mauritius and Madagascar in January 2023 for a cash consideration of $1.4 million resulting in a profit on disposal of $nil. The net assets disposed totalled $1.4 million comprising property, plant and equipment of $0.1 million, inventories of $0.6 million, debtors of $0.6 million, cash of $0.6 million and current liabilities of $0.5 million.

Costs from integration of Footwear acquisitions– During the year ended 31 December 2023 exceptional costs of $6.3 million were recognised relating to the integration of the Texon and Rhenoflex businesses, which were acquired in July 2022 and August 2022 respectively. These exceptional costs primarily relate to the elimination of duplicated roles and from the consolidation of back-office activities and costs associated with the commencement of a strategic project to consolidate the under-utilised UK-based footwear production site into the Group's existing facility in Indonesia. Non-cash impairment charges of property, plant and equipment incurred during the year ended 31 December 2023 were $0.3 million.

Lower Passaic River non-cash charge– A non-cash exceptional impairment charge of $3.6 million has been 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.

Acquisition related items

Acquisition related items are set out below:

Year ended 31 December	2023 US$m	2022 US$m
Acquisition related items:		
Administrative expenses:		
Amortisation of acquired intangible assets	**21.5**	10.8
Acquisition transaction costs	**–**	11.9
	21.5	22.7
Finance costs:		
Acquisition transaction costs	**–**	1.1
Total acquisition related items charged to profit before taxation from continuing operations	**21.5**	23.8

Acquisition transaction costs charged to administrative expenses during the year ended 31 December 2022 of $11.9 million included transaction costs relating to the acquisitions of Texon and Rhenoflex (see note 31).

Acquisition transaction costs charged to finance costs during the year ended 31 December 2022 of $1.1 million related to the $240.0 million term loan acquisition facility used to finance the acquisition of Texon.

Acquisition transaction costs and amortisation 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 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.

4 Exceptional and acquisition related items cont.

The Group has made acquisitions in prior years with earn-outs to allow part of the consideration to be based on the future performance of the businesses acquired and to lock in key management. Where consideration paid or contingent consideration payable in the future is employment linked, it is treated as an expense and part of statutory results. However, all consideration of this type is excluded from adjusted operating profit and adjusted earnings per share, as in management's view, these items are part of the capital transaction.

5 Profit for the year (including discontinued operations)

Year ended 31 December	2023 US$m	2022 US$m
Profit for the year is stated after charging/(crediting):		
Amortisation of intangible assets	**22.9**	12.6
Depreciation of owned property, plant and equipment	**27.0**	26.5
Depreciation of right-of-use assets	**18.8**	19.4
Profit on disposal of property, plant and equipment	**(5.9)**	(1.1)
Fees charged by EY LLP (2022: Deloitte LLP)		
Group audit fees:		
– Fees payable for the audit of the Company's annual accounts	**2.1**	1.0
– Fees payable for the audit of the Company's subsidiaries	**1.8**	1.7
Other EY services (2022: Deloitte LLP):		
– Taxation services	**–**	0.1
– Other services	**0.6**	0.1
Total fees charged by EY LLP (2022: Deloitte LLP)	**4.5**	2.9
Research and development expenditure	**6.5**	6.2
Expected credit losses	**1.6**	1.1
Net foreign exchange losses	**4.4**	3.5
Rental income from land and buildings	**(0.1)**	(0.2)
Inventory as a material component of cost of sales	**585.4**	728.2
Inventory write-downs to net realisable value	**5.1**	4.1

6 Finance income

Year ended 31 December	2023 US$m	2022 US$m
Income from investments	**0.1**	0.1
Net monetary gain arising from hyperinflation accounting (see note 1)	**2.3**	1.9
Other interest receivable and similar income	**2.2**	0.6
	4.6	2.6

7 Finance costs

Year ended 31 December	2023 US$m	2022 US$m
Interest on bank and other borrowings	**30.3**	18.9
Interest expense on lease liabilities	**5.6**	4.9
Net interest on pension scheme assets and liabilities	**(4.4)**	0.5
Other finance costs including unrealised gains and losses on foreign exchange contracts	**2.4**	9.1
	33.9	33.4

Other finance costs for the year ended 31 December 2022 included acquisition related transaction costs of $1.1 million incurred in connection with the $240.0 million term loan acquisition facility used to finance the acquisition of Texon (see note 4).

8 Staff costs

The average monthly number of employees was:

Year ended 31 December	2023	2022*
Continuing operations[1]:		
Manufacturing	**12,635**	13,886
Other staff	**2,904**	3,269
	15,539	17,155
Discontinued operations[2]	**457**	1,798
Total number of employees	**15,996**	18,953
Comprising:		
UK	**220**	256
Overseas	**15,319**	18,697
	15,539	18,953
The total numbers employed at the end of the year were:		
UK	**199**	228
Overseas	**15,203**	15,875
	15,402	16,103
Discontinued operations	**–**	540
Total number of employees	**15,402**	16,643

1. The 2022 average number of employees for continuing operations includes the acquired Texon and Rhenoflex businesses from their respective acquisition dates of 20 July 2022 and 23 August 2022 through to 31 December 2022 (see note 31).
2. The 2023 average number of employees for the discontinued European Zips business are for the period until disposal on 31 August 2023 (see note 32). The 2022 average number of employees includes the discontinued Brazil and Argentina business for the period until disposal on 10 May 2022.

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Notes to the financial statements cont.

8 Staff costs cont.

Year ended 31 December	2023 US$m	2022* US$m
Employee aggregate remuneration comprised (including directors):		
Wages and salaries	**261.4**	272.6
Social security costs	**25.9**	24.5
Other pension costs (note 10)	**6.4**	9.0
	293.7	306.1
Discontinued operations	**12.5**	25.2
	306.2	331.3

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

9 Tax on profit from continuing operations

Year ended 31 December	2023 US$m	2022 US$m
UK Corporation tax at 23.5% (2022: 19%)	**–**	–
Overseas tax charge	**(64.0)**	(56.2)
Deferred tax credit/(charge)	**9.0**	(0.2)
Total tax charge	**(55.0)**	(56.4)

The overseas tax charge includes withholding tax charges for the year ended 31 December 2023 of $9.9 million (2022: $13.3 million).

For the year ended 31 December 2023 the tax credit in respect of exceptional and acquisition related items was $2.9 million (2022: $3.7 million). This includes exceptional tax credits of $2.3 million (2022: $2.0 million) in connection with the exceptional strategic projects and $0.6 million (2022: $1.7 million) relating to the unwinding of deferred tax liabilities on the amortisation of acquired Texon and Rhenoflex intangible assets and the impact of tax rate differences.

The tax charge for the year can be reconciled as follows:

	2023				2022*			
Year ended 31 December	Adjusted US$m	Exceptional and acquisition related items US$m	Other adjustments[1] 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	**200.8**	**(49.4)**	**4.4**	**155.8**	204.6	(52.7)	(0.5)	151.4
Expected tax charge/(credit) at the UK statutory rate of 23.5% (2022: 19%)	**47.2**	**(11.6)**	**1.0**	**36.6**	38.9	(10.0)	(0.1)	28.8
Differences between overseas and UK taxation rate	**(7.7)**	**–**	**–**	**(7.7)**	(1.7)	1.8	–	0.1
Non-deductible expenses	**7.9**	**8.7**	**(1.0)**	**15.6**	(1.7)	4.5	–	2.8
Non-taxable income	**(2.5)**	**–**	**(0.2)**	**(2.7)**	(0.7)	–	–	(0.7)
Local tax incentives	**(0.4)**	**–**	**–**	**(0.4)**	(0.3)	–	–	(0.3)
Utilisation of unrecognised deferred tax assets	**(3.3)**	**–**	**–**	**(3.3)**	(1.3)	–	–	(1.3)
Potential deferred tax assets not recognised	**9.8**	**–**	**–**	**9.8**	12.6	–	(0.4)	12.2
Impact of changes in tax rates	**–**	**–**	**–**	**–**	(0.5)	–	–	(0.5)
Prior year adjustments	**(2.8)**	**–**	**–**	**(2.8)**	2.0	–	–	2.0
Withholding tax on remittances (net of double tax credits)	**9.9**	**–**	**–**	**9.9**	13.3	–	–	13.3
Income tax expense/(credit)	**58.1**	**(2.9)**	**(0.2)**	**55.0**	60.6	(3.7)	(0.5)	56.4
Effective tax rate	**29%**	**6%**	**5%**	**35%**	30%	7%	100%	37%

1. Other adjustments consist of net interest on pension scheme assets and liabilities of $4.4 million (2022: $0.5 million).

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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 and the impact of IAS 19 finance charges, the adjusted effective rate on pre-tax profits was 29% (2022: 30%). The lower rate was driven by recognition of deferred tax assets in respect of UK and Germany accumulated tax losses and a substantial withholding tax refund in Indonesia.

Pillar Two

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.

On 20 June 2023, the government of the UK, where Coats Group plc is incorporated, enacted the Pillar Two income taxes legislation effective from 1 January 2024. Under the legislation, the parent company will be required to pay, in the UK, top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The Group has performed a preliminary assessment of the potential exposure to Pillar Two income taxes for the year ending 31 December 2024. This assessment is based on the profits and tax expense in the Group's consolidated financial statements for the years ended 31 December 2022 and 2023.

The main jurisdictions in which exposure to this tax may exist are expected to be Bulgaria, Honduras and Hungary 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 is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance but it is not expected to have a significant impact on the Group due to the low level of profits in these jurisdictions.

Uncertain tax positions

The Group's tax liability includes a number of tax provisions, which together total $29.2 million (2022: $26.3 million). The increase in the year is primarily due to re-measurement of Transfer Pricing provisions following the 2022 acquisitions, internal reorganisations and developments in local tax environments offset by the utilisation and release of a provision in respect of an Advanced Pricing Agreement in Indonesia. 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 $59.7 million (2022: $54.6 million). The amount of tax paid in each jurisdiction is as follows:

Year ended 31 December	2023 US$m	2022 US$m
UK	**8.2**	10.0
Vietnam	**12.3**	16.1
Indonesia	**11.0**	3.3
Hong Kong	**4.4**	3.1
India	**4.1**	3.9
Others (28 countries each less than $2.5 million)	**19.7**	18.2
Total Corporate Income Tax paid	**59.7**	54.6

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 2023 the Group paid withholding taxes of $9.9 million (2022: $11.4 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 were (continuing and discontinued operations):

	Year ended 31 December 2023 US$m	Year ended 31 December 2022 US$m
Defined contribution schemes	**3.1**	5.5
Defined benefit schemes – Other funded and unfunded schemes	**3.3**	3.9
Past service (credit)/cost	**(0.4)**	1.3
Settlements	**0.3**	0.1
Administrative expenses for defined benefit schemes	**4.6**	4.7
	10.9	15.5

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. The trustee board operates an investment policy whereby a portion of the fund is invested in assets (bonds, derivatives and a bulk annuity policy) that broadly match movements in the value of the scheme's liabilities and a portion in assets that are anticipated to deliver a return in excess of the change in value of the liabilities, and hence lower volatility of the net position of the scheme.

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 (which is currently in a surplus position), that determines the cash funding the Group provides to the Scheme. The next triennial valuation will be as at 31 March 2024.

Currently, it is estimated that the value of the liabilities on the funding valuation basis is circa $2.0 billion (uninsured liabilities of circa $1.6 billion), which is broadly matched to the value of the assets, whilst under IAS 19 the liabilities are lower, leading to a net surplus position.

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 2021 for funding valuations vs 31 December 2023 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 November 2021, the Group and the trustee board agreed the latest funding valuation of the Scheme with an effective date of 31 March 2021. This showed a prudent funding deficit of £193 million ($246 million at 31 December 2023 exchange rates) and resulted in agreed ongoing deficit recovery payments of £22 million per annum ($28 million) until 31 December 2028. These payments are uprated each year by the increase in the UK Retail Prices Index, but capped at 5% in any year. The Group also meets the Scheme’s administrative expenses and levies estimated at £4 million ($5 million) per annum.

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 will see all financial and demographic risks, including those related to longevity, covered for approximately 20% of Scheme members. The bulk annuity policy is an asset of the Scheme and forms 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. Given the favourable pricing at the point of transaction, the pensioner buy-in had no material impact on the Group’s balance sheet or future income statements on an IAS 19 basis.

Latest funding valuation estimate and contribution switch-off

Updates provided to the Group in early 2023 showed that the funding deficit had fallen significantly due to contributions from the Group, favourable movements in the market (mainly increasing discount rates) and the de-risking actions that the Group have taken, for example the pensioner buy-in transaction referred to above. As a result of this significantly improved funding position, and reflective of the collaborative working relationship with the Trustees, the Group agreed a monitoring mechanism to switch off / switch on the regular cash contributions to the Coats UK Pension Scheme based on monthly estimates of the latest funding position.

Further to this agreement, the Group subsequently agreed to make a one-off lump sum payment of £10 million ($12.6 million) in December 2023 to move the Scheme into an expected funding surplus position and enable the switch off threshold to be comfortably met. Pension deficit repair contributions therefore switched off from 1 January 2024, with no further contributions due to be paid in 2024 and will remain switched off whilst the Scheme’s assets remain above 99% of the Technical Provisions. This agreement will result in a free cash flow benefit of £2 million ($2.5 million) per month while the payments remain switched off.

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 96% of the Group’s total defined benefit obligations. Both these schemes are pre-funded and report an accounting surplus, 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 defined benefit pension and other post-employment arrangements shows a significant surplus under IAS 19 at the end of the financial year of $62.8 million. This is due mainly to the pre-funded schemes’ assets exceeding the IAS 19 measure of their liabilities. Importantly, the measurement of liabilities under IAS 19 differs from local requirements to determine the Group’s cash funding of these schemes, which are currently more onerous in the UK in particular and contrary to the IAS 19 position leaves the scheme in a Technical Provision deficit position on the funding basis (albeit significantly improved in recent periods).

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 2021 and 1 January 2023 for the UK and US respectively), updated to take account of the valuations of assets and liabilities as at 31 December 2023.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

The following disclosures do not include information in respect of schemes operated by joint ventures.

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 149. The Trustees of the UK and US schemes hedge these sensitivities through physical bonds and derivatives. The Coats UK Pension Scheme is currently over 90% (2022: over 90%) hedged against interest rate movements by reference to the Technical Provisions liability.
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 149. The Trustees of the UK and US schemes hedge these sensitivities through physical bonds, derivatives and real assets. The Coats UK Pension Scheme is currently over 90% (2022: over 90%) hedged against inflation rate movements by reference to the Technical Provisions liability.
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 149. Currently this is a risk that is largely unhedged by the Group's pension schemes. However, the UK scheme's £350 million pensioner buy-in with Aviva hedges roughly 20% of its longevity risk.

Risk	Description	Commentary
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 is diversified by asset class, at individual securities level; geography; and by investment managers. To the extent that any assets are not Sterling denominated the scheme hedges the majority of this currency exposure back to Sterling. 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. In addition, the UK scheme's hedging policy is run using low leverage in order to maintain strong liquidity, even after the pensioner buy-in transaction. The scheme suffered no meaningful impacts during the well documented market issues over September and October 2022, which faced those UK schemes relying heavily on "LDI" strategies.

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 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

Principal assumptions at 31 December 2022	Coats UK Pension Scheme %	Coats US %	Other %
Rate of increase in salaries	–	–	5.7
Rate of increase for pensions in payment	Various	–	4.1
Discount rate	4.8	5.2	5.7
Inflation assumption	3.3	–	4.5

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 2.9% (2022: 3.0%). For former Staveley scheme members, the majority of the increases for pensions in payment fall within the range 2.1%–2.9% (2022: 2.2%–3.0%). For former Brunel scheme members, the majority of the increases for pensions in payment fall within the range 3.4%–4.0% (2022: 3.4%–4.0%).

The assumed life expectancy on retirement is:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Coats UK Pension Scheme Years	Coats US Years	Coats UK Pension Scheme Years	Coats US Years
Retiring today at age 60:				
Males	25.0	25.0	25.6	24.9
Females	27.9	27.2	28.5	27.1
Retiring in 20 years at age 60:				
Males	26.1	26.6	27.1	26.6
Females	29.0	28.7	29.9	28.6

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 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 (cost)/credit	–	(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

Year ended 31 December 2022	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Group US$m
Current service cost	–	–	(3.9)	(3.9)
Past service cost	–	(1.2)	(0.1)	(1.3)
Settlements	–	–	(0.1)	(0.1)
Administrative expenses	(4.1)	(0.5)	(0.1)	(4.7)
	(4.1)	(1.7)	(4.2)	(10.0)
Interest on defined benefit obligations – unwinding of discount	(50.0)	(1.3)	(3.5)	(54.8)
Interest income on pension scheme assets	52.2	3.9	0.5	56.6
Effect of asset ceiling	–	(2.3)	–	(2.3)
	2.2	0.3	(3.0)	(0.5)

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 2023 US$m	Restated* Year ended 31 December 2022 US$m
Effect of changes in demographic assumptions	33.7	10.8
Effect of changes in financial assumptions	(63.0)	941.1
Effect of experience adjustments	(39.9)	(67.7)
Remeasurement on assets (excluding interest income)	(33.4)	(855.5)
Adjustment due to asset ceiling	31.8	(13.4)
Included in the statement of comprehensive income	(70.8)	15.3

* Pension surplus amounts at 31 December 2022 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 10, on page 150. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

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 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.

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

Year ended 31 December 2022	Coats UK Pension Scheme US$m	Coats US US$m	Other US$m	Restated* Total US$m
Cash and cash equivalents	64.6	1.6	4.2	70.4
Equity instruments:				
US	47.6	12.3	0.6	60.5
UK	3.1	1.1	–	4.2
Eurozone	8.4	4.5	–	12.9
Other regions	20.1	7.0	1.2	28.3
Debt instruments:				
Corporate bonds (Investment grade)	428.2	43.6	1.6	473.4
Corporate bonds (Non-investment grade)	89.4	1.7	–	91.1
Government/sovereign instruments	562.9	24.7	–	587.6
Global real estate	238.5	–	–	238.5
Derivatives:				
Total return, interest and inflation swaps	(20.7)	–	–	(20.7)
Assets held by insurance company:				
Insurance contracts	391.6	0.5	0.8	392.9
Diversified investment fund	5.5	–	–	5.5
Other	127.7	–	–	127.7
Total market value of assets	1,966.9	97.0	8.4	2,072.3
Actuarial value of scheme liabilities	(1,786.2)	(29.3)	(96.7)	(1,912.2)
Net asset/(liability) in the scheme	180.7	67.7	(88.3)	160.1
Adjustment due to asset ceiling[1]	(63.2)	(27.3)	–	(90.5)
Recoverable net asset/(liability) in the scheme	117.5	40.4	(88.3)	69.6

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	2023 US$m	Restated* 2022 US$m
Non-current assets:		
Funded	**148.2**	186.9
Current assets:		
Funded	**1.6**	2.0
Current liabilities:		
Funded	**(0.8)**	(27.6)
Unfunded	**(7.7)**	(5.0)
Non-current liabilities:		
Funded	**(2.9)**	(3.3)
Unfunded	**(75.6)**	(83.4)
	62.8	69.6

* Pension surplus amounts at 31 December 2022 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 10, on page 150. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

The schemes disclosed as part of the 'other' column in the tables above include surplus positions of $3.8 million (2022: $3.7 million).

Notes to the financial statements cont.

10 Retirement and other post-employment benefit arrangements cont.

	Year ended 31 December 2023 US$m	Restated* Year ended 31 December 2022 US$m
Movements in the present value of defined benefit obligations were as follows:		
At 1 January	**(1,912.2)**	(3,196.7)
Current service cost	**(3.3)**	(3.9)
Decrease in liabilities on settlements	**3.8**	0.4
Past service credit/(cost)	**0.4**	(1.3)
Interest on defined benefit obligations – unwinding of discount	**(91.1)**	(54.8)
Actuarial gains on obligations	**(69.2)**	884.2
Contributions from members	**–**	(0.1)
Benefits paid	**154.1**	157.2
Net movement due to acquisitions and disposals of subsidiaries	**1.1**	(3.6)
Exchange difference	**(92.5)**	306.4
At 31 December	**(2,008.9)**	(1,912.2)
Movements in the fair value of scheme assets were as follows:		
At 1 January	**2,072.3**	3,301.5
Interest income on scheme assets	**100.0**	56.6
Remeasurement on assets (excluding interest income)	**(33.4)**	(855.5)
Decrease in assets on settlements	**(4.1)**	(0.5)
Contributions from members	**–**	0.1
Contribution from sponsoring companies	**56.1**	46.3
Benefits paid	**(154.1)**	(157.2)
Net movement due to acquisitions and disposals of subsidiaries	**–**	(4.7)
Administrative expenses paid from plan assets	**(0.6)**	(0.6)
Exchange difference	**101.4**	(313.7)
At 31 December	**2,137.6**	2,072.3
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	**90.5**	79.7
Interest cost on unrecognised surplus	**4.5**	2.3
Changes in the effect of limiting a net defined benefit asset to the asset ceiling (excluding interest)	**(31.8)**	13.2
Exchange difference	**2.7**	(4.7)
Unrecognised surplus at 31 December	**65.9**	90.5

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, except for cash and cash equivalents, 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 $46.7 million (2022: $43.6 million) of corporate bonds (Investment grade), $1.4 million (2022: $1.7 million) of corporate bonds (Non-investment grade) and $0.2 million (2022: $0.5 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 $75.6 million at 31 December 2023 of which a recoverable surplus of $43.7 million is recognised on the Balance Sheet.

The Coats UK Pension Scheme moved into an IAS 19 surplus position during 2021. The Group has an unconditional right to a refund of the surplus (net of withholding taxes) assuming the gradual settlement of the liabilities over time and therefore no additional minimum funding requirement has been recognised.

* Pension surplus amounts at 31 December 2022 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 10, on page 150. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

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 12 years (2022: 12 years) for the Coats UK scheme and 11 years (2022: 9 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:

	Year ended 31 December 2023 +0.25% US$m	Year ended 31 December 2023 -0.25% US$m	Year ended 31 December 2022 +0.25% US$m	Year ended 31 December 2022 -0.25% US$m
Coats UK Pension Scheme discount rate	**(55.9)**	**58.7**	(51.4)	53.9
Coats US discount rate	**(0.7)**	**0.7**	(0.7)	0.7
Coats UK Pension Scheme inflation rate	**32.3**	**(36.6)**	28.0	(30.1)
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 $208.7 million and $2.7 million (2022: $192.3 million and $2.6 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 $253.1 million and $3.1 million (2022: $232.2 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 144, the Coats UK Pension Scheme is currently over 90% hedged against interest rate and inflation rate movements. Therefore on a Technical Provision basis, to the extent there is a change in the scheme liabilities due to movements in discount and inflation rates there would be offsetting impacts from the scheme assets due to the hedging in place.

If members of the Coats UK Pension Scheme live one year longer the scheme liabilities will increase by $66.3 million (2022: $59.8 million). If members of the Coats US scheme live one year longer scheme liabilities will increase by $0.4 million (2022: $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.

	Year ended 31 December 2023 +1% US$m	Year ended 31 December 2023 -1% US$m	Year ended 31 December 2022 +1% US$m	Year ended 31 December 2022 -1% US$m
Sensitivity of medical schemes to medical cost trend rate assumptions:				
Effect on total service cost and interest cost components of other schemes	**–**	**–**	0.1	(0.1)
Effect on defined benefit obligation of other schemes	**0.5**	**(0.5)**	0.8	(0.7)

xi) Expected contributions for 2024

The total estimated amount to be paid in respect of all of the Group's retirement and other post-employment benefit arrangements during the 2024 financial year (excluding administrative expenses paid by the Company) is $7.4 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. If upheld, the High Court's decision could have wider ranging implications, affecting other defined benefit pension schemes in the United Kingdom that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016.

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 Trustee of the Coats UK Pension Scheme is undertaking an exercise to review historical scheme documents, and to date no Section 37 certificate issues have been identified.

There is still further uncertainty with a Court of Appeal hearing for the case set for June 2024 as well as the potential for overriding government legislation to be introduced. Given this and 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.

10 Retirement and other post-employment benefit arrangements cont.

e) Prior period restatement of pension surplus amounts

The Coats UK Pension Scheme accounting surplus under IAS 19 has been recognised on the basis that the future economic benefits are unconditionally available to the Group, which is assumed to be via a refund. As at 31 December 2023 the Group determined that the accounting surplus should be recognised after deducting withholding tax, which would be levied prior to the future refunding of any surplus and would be payable by the Trustees of the Scheme. The pension surplus has been presented on a net basis at 31 December 2023. The Coats UK Pension scheme also had an accounting surplus under IAS 19 at 31 December 2022 and 31 December 2021 but as originally reported the accounting surplus was not recognised after deducting the withholding tax. Prior period amounts of the pension surplus included in the consolidated statement of financial position at these dates have been restated to recognise the withholding tax and present the accounting surplus on a net basis consistent with the accounting treatment at 31 December 2023. The withholding tax rates that were applied were 25% at 31 December 2023 and 35% at 31 December 2022 and 31 December 2021. In addition amounts for remeasurements of defined benefit schemes and the foreign currency Great Britain pound sterling translation impact to US dollars included in the consolidated statement of comprehensive income have also been restated. There has been no impact on either the Group's profits or cash flows for the respective periods as a result of this remeasurement.

The Coats UK Pension Scheme accounting surplus under IAS 19 in the restated consolidated statement of financial position is $117.5 million and $70.2 million at 31 December 2022 and 31 December 2021 respectively. This represents a decrease of $63.2 million and $37.8 million at 31 December 2022 and 31 December 2021 respectively from the original reported amounts of $180.7 million and $108.0 million.

Pension surplus amounts at 31 December 2022 and 31 December 2021 have also been restated for the US pension scheme to reflect a change in measurement. As originally reported the IAS 19 accounting surplus for the US pension scheme was not recognised in full but recognised based on the expected utilisation of the accounting surplus for transfers to a US medical plan and future pension scheme administrative costs. Prior period amounts have been restated to recognise the accounting surplus in full on the basis that the future economic benefits are unconditionally available to the Group, which is assumed to be via a refund net of applicable US taxes. There is no impact on either profits or cash flows for the year ended 31 December 2022.

The US pension scheme accounting surplus under IAS 19 in the restated consolidated statement of financial position is $40.4 million and $53.4 million at 31 December 2022 and 31 December 2021 respectively. This represents an increase of $27.4 million and $41.8 million at 31 December 2022 and 31 December 2021 respectively from the original reported amounts of $13.0 million and $11.6 million.

Amounts as of 31 December 2022 and 31 December 2021 and for the year ended 31 December 2022 have been restated as set out below:

	As Reported US$m	UK Pension Adjustment US$m	US Pension Adjustment US$m	As restated US$m
Consolidated statement of financial position				
31 December 2022				
Non-current assets:				
Pension surpluses	222.7	(63.2)	27.4	186.9
Total assets	1,924.6	(63.2)	27.4	1,888.8
Deferred tax liabilities	(65.3)	–	(12.9)	(78.2)
Total liabilities	(1,225.3)	–	(12.9)	(1,238.2)
Net assets and total equity	699.3	(63.2)	14.5	650.6
31 December 2021				
Non-current assets:				
Pension surpluses	159.7	(37.8)	41.8	163.7
Total assets	1,511.3	(37.8)	41.8	1,515.3
Deferred tax liabilities	(6.8)	–	(19.7)	(26.5)
Total liabilities	(927.2)	–	(19.7)	(946.9)
Net assets and total equity	584.1	(37.8)	22.1	568.4
Consolidated statement of comprehensive income				
Year ended 31 December 2022				
Remeasurements of defined benefit schemes	59.8	(30.1)	(14.4)	15.3
Tax on items that will not be reclassified	(1.4)	–	6.8	5.4
Exchange differences on translation of foreign operations	(31.9)	4.7	–	(27.2)
Net comprehensive income and expense for the year	48.8	(25.4)	(7.6)	15.8

Notes to the financial statements cont.

11 Earnings/(loss) 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/(loss) per ordinary share from continuing and discontinued operations is based on the profit/(loss) 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	2023 US$m	2022* US$m
Profit from continuing operations attributable to equity shareholders	83.2	73.0
Profit/(loss) from continuing and discontinued operations attributable to equity shareholders	56.5	(14.7)

Year ended 31 December	2023 Number of shares m	2022 Number of shares m
Weighted average number of ordinary shares in issue for basic earnings per share	1,605.0	1,516.0
Adjustment for share options and LTIP awards	16.4	9.3
Weighted average number of ordinary shares in issue for diluted earnings per share	1,621.4	1,525.3

Year ended 31 December	2023 cents	2022* cents
Continuing operations:		
Basic earnings per ordinary share	5.18	4.82
Diluted earnings per ordinary share	5.13	4.79
Continuing and discontinued operations:		
Basic earnings/(loss) per ordinary share	3.52	(0.98)
Diluted earnings/(loss) per ordinary share	3.48	(0.97)

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Profit from continuing operations attributable to equity shareholders for the year ended 31 December 2023 of $83.2 million (2022: $73.0 million) comprises the profit from continuing operations for the year ended 31 December 2023 of $100.8 million (2022: $95.0 million) less non-controlling interests for the year ended 31 December 2023 of $17.6 million (2022: $22.0 million) as reported in the income statement.

12 Dividends

Year ended 31 December	2023 US$m	2022 US$m
2023 interim dividend paid – 0.81 cents per share	13.0	–
2022 final dividend paid – 1.73 cents per share	27.6	–
2022 interim dividend paid – 0.70 cents per share	–	11.1
2021 final dividend paid – 1.50 cents per share	–	21.8
	40.6	32.9

The proposed final dividend of 1.99 cents per ordinary share for the year ended 31 December 2023 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 30 May 2024 to ordinary shareholders on the register on 3 May 2024, with an ex-dividend date of 2 May 2024.

Notes to the financial statements cont.

13 Intangible assets

Cost	Goodwill US$m	Acquired intangibles: Brands & trade names US$m	Acquired intangibles: Technology US$m	Acquired intangibles: Customer relationships US$m	Acquired intangibles: Total acquired US$m	Computer software US$m	Total US$m
At 1 January 2022	26.2	243.3	17.2	6.8	267.3	77.6	371.1
Currency translation differences	–	0.3	(0.3)	1.0	1.0	(1.7)	(0.7)
Acquisition of subsidiaries (see note 31)	98.5	40.9	40.5	158.8	240.2	0.6	339.3
Additions	–	–	–	–	–	2.1	2.1
Disposals	–	–	–	–	–	(2.5)	(2.5)
At 31 December 2022	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**
Cumulative amounts charged							
At 1 January 2022	–	1.7	10.7	2.9	15.3	72.9	88.2
Currency translation differences	–	–	(0.7)	(0.1)	(0.8)	(1.6)	(2.4)
Amortisation charge for the year	–	2.1	3.6	5.1	10.8	1.8	12.6
Disposals	–	–	–	–	–	(2.5)	(2.5)
At 31 December 2022	–	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**
Net book value at 31 December 2023	**126.1**	**276.8**	**38.1**	**150.0**	**464.9**	**5.8**	**596.8**
Net book value at 31 December 2022	124.7	280.7	43.8	158.7	483.2	5.5	613.4

The carrying value of the Coats brand at 31 December 2023 and 31 December 2022 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 2026, applying a pre-tax discount rate of 11.6% (2022: 11.6%) and long-term growth of 2.5% (2022: 2.7%). 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 Group completed two acquisitions during 2022 obtaining control of both Texon and Rhenoflex, leading manufacturers of structural footwear components supplying the world's leading footwear brands (see note 31). The provisional goodwill arising from these acquisitions was initially allocated to a Structural Footwear Components CGU. Following the organisational change to the three divisions, effective from 1 January 2023, the Texon and Rhenoflex businesses have been integrated into the Footwear division, which includes the pre-existing Coats footwear thread business. Under the new divisional structure, these businesses have an aligned strategy and are being managed as a single business by the Footwear leadership team. The Group has integrated a number of key business processes, as well as commencing projects to optimise footprint, in order to maximise synergies.

As such, the Group has allocated the goodwill arising from Texon and Rhenoflex acquisitions to the single CGU of Footwear.

Notes to the financial statements cont.

13 Intangible assets cont.

The carrying amount of goodwill has been allocated as follows:

Year ended 31 December	2023 US$m	2022 US$m
Footwear	**100.8**	100.1
Gotex	**12.6**	12.3
US and Mexico	**2.6**	2.6
Coats Digital	**8.4**	8.0
Other	**1.7**	1.7
	126.1	124.7

The carrying value of the goodwill allocated to the Footwear, Gotex, US and Mexico and Coats Digital CGUs has been tested for impairment during the year by comparing the carrying value of the CGU to their value in use. 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 2026;
– 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 2024 to 2026 and relate to revenue forecasts and forecast operating margins. A short-term growth rate is applied to the December 2026 plan to derive the cash flows arising in 2027–2028 and a long-term rate is applied to 2028 to determine a terminal value. Revenue growth and operating margin improvement assumptions in 2027–2028 are as follows:

	Revenue growth 2027 %	Revenue growth 2028 %	Operating margin improvement 2027 %	Operating margin improvement 2028 %	Terminal value growth rate %
Footwear	**8.6**	**8.1**	**0.2**	**0.2**	**2.5**
Gotex	**7.0**	**6.5**	**1.4**	**0.7**	**1.9**
US and Mexico	**4.6**	**4.9**	**0.7**	**0.7**	**1.8**
Coats Digital	**20.3**	**7.0**	**6.0**	**–**	**2.5**

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 11.6% (2022: 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 13.0% for Footwear, 14.0% for Gotex, 11.4% for US and Mexico, and 14.2% for Coats Digital.

The following scenarios would result in headroom being completely eliminated in the value in use impairment assessments:

– the discount rate increasing by 1,470 bps in Footwear, 840 bps in Gotex, 410 bps in US and Mexico and 850 bps in Coats Digital; or
– cumulative 2024–2028 revenue is 54% lower in Footwear, 32% lower in Gotex, 20% lower in US and Mexico and 33% lower in Coats Digital; or
– cumulative 2024–2028 operating profit is 66% lower in Footwear, 42% lower in Gotex, 26% lower in US and Mexico and 59% lower in Coats Digital.

In light of this, management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any of the above CGUs to materially exceed their recoverable amount.

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 2022	160.9	551.2	65.4	777.5
Currency translation differences	(4.9)	(24.8)	(2.5)	(32.2)
Application of IAS 29	–	7.3	–	7.3
Acquisition of subsidiaries	10.2	12.9	0.6	23.7
Disposal of subsidiaries	(8.9)	(30.2)	(3.9)	(43.0)
Additions	3.4	24.4	2.4	30.2
Disposals	(3.3)	(11.7)	(1.1)	(16.1)
At 31 December 2022	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 32)	**(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**
Cumulative amounts charged				
At 1 January 2022	79.1	397.8	56.1	533.0
Currency translation differences	(2.9)	(18.5)	(2.2)	(23.6)
Depreciation charge for the year	4.7	19.3	2.5	26.5
Impairment charge	–	1.7	0.1	1.8
Disposal of subsidiaries	(3.7)	(25.5)	(3.0)	(32.2)
Disposals	(1.8)	(11.6)	(1.0)	(14.4)
At 31 December 2022	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 32)	**(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**
Net book value at 31 December 2023	**70.3**	**165.6**	**7.3**	**243.2**
Net book value at 31 December 2022	82.0	165.9	8.4	256.3

Analysis of net book value of land and buildings 31 December	2023 US$m	2022 US$m
Freehold	**57.8**	64.2
Leasehold improvements:		
Over 50 years unexpired	**2.5**	2.7
Under 50 years unexpired	**10.0**	15.1
	70.3	82.0

15 Leases

The Group leases several assets including buildings, plants, vehicles and office equipment. The average lease term is 4 years (2022: 5 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 2023	87.5	3.7	5.3	96.5
At 31 December 2023	**67.3**	**1.7**	**5.4**	**74.4**
Depreciation expense for the year ended				
31 December 2022	14.1	2.5	2.8	19.4
31 December 2023	**15.0**	**1.4**	**2.4**	**18.8**

Additions to the right-of-use assets during the year ended 31 December 2023 were $9.6 million (2022: $23.9 million).

Lease liabilities

Year ended 31 December	2023 US$m	2022 US$m
Current	**17.5**	19.0
Non-current	**69.3**	86.4
	86.8	105.4

Notes to the financial statements cont.

15 Leases cont.

Lease liability maturity analysis	Undiscounted 2023 US$m	Undiscounted 2022 US$m	Discounted 2023 US$m	Discounted 2022 US$m
Payable within one year	**22.0**	24.2	**17.5**	19.0
Payable between one and two years	**16.0**	20.9	**12.3**	16.5
Payable between two and five years	**38.8**	43.5	**31.5**	32.9
Payable after more than five years	**30.6**	46.6	**25.5**	37.0
At 31 December 2023	**107.4**	135.2	**86.8**	105.4

The net decrease in lease liabilities during the year ended 31 December 2023 was $18.6 million (2022: increase $6.4 million) which includes foreign exchange gains on lease liabilities of $1.1 million (2022: $6.6 million). The total cash outflow for leases in the year ended 31 December 2023 was $24.1 million (2022: $23.0 million).

The Group's consolidated income statement includes the following amounts relating to leases:

Year ended 31 December	2023 US$m	2022 US$m
Depreciation expense	**18.8**	19.4
Interest expense on lease liabilities	**5.6**	4.9
Expenses relating to short-term leases	**0.3**	0.6
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	**1.7**	0.5
Impairment of right-of-use assets	**4.6**	2.9
Income from subleasing right-of-use assets	**(0.1)**	(0.2)

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	2023 US$m	2022 US$m
Receivable within one year	**0.1**	0.1
Receivable between one and two years	**–**	0.1
	0.1	0.2

16 Non-current investments

Year ended 31 December	2023 US$m	2022 US$m
Interests in joint ventures (see below)	**12.8**	13.1
Investments in equity securities: Unlisted investments	**0.9**	5.9
	13.7	19.0

Interests in joint ventures	US$m
At 1 January 2023	**13.1**
Disposals	**(0.7)**
Dividends receivable	**(0.7)**
Share of profit after tax	**1.1**
At 31 December 2023	**12.8**

Year ended 31 December	2023 US$m	2022 US$m
Share of net assets on acquisition	**11.3**	11.3
Disposals	**(0.7)**	–
Share of post-acquisition retained profits	**2.2**	1.8
Share of net assets	**12.8**	13.1

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	2023 US$m	2022 US$m
Summarised income statement information:		
Revenue	**24.7**	28.7
Profit before tax	**1.5**	1.2
Taxation	**(0.4)**	(0.3)
Profit after tax	**1.1**	0.9

Year ended 31 December	2023 US$m	2022 US$m
Summarised balance sheet information:		
Non-current assets	**4.8**	5.5
Current assets	**16.1**	15.4
	20.9	20.9
Liabilities due within one year	**(8.1)**	(7.8)
Net assets	**12.8**	13.1

Notes to the financial statements cont.

17 Deferred tax assets

Year ended 31 December	2023 US$m	2022 US$m
Deferred tax assets	**18.0**	24.4

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:

	2023 US$m	2022 US$m
At 1 January	**24.4**	20.7
Currency translation differences	**(1.1)**	–
Acquisition of subsidiaries	**–**	3.3
(Charged)/credited to the income statement	**(5.1)**	1.8
Charged to other comprehensive income and expense	**(0.2)**	(1.4)
At 31 December	**18.0**	24.4

18 Inventories

Year ended 31 December	2023 US$m	2022 US$m
Raw materials and consumables	**84.9**	98.0
Work in progress	**22.0**	32.3
Finished goods and goods for resale	**66.6**	81.1
	173.5	211.4

19 Trade and other receivables

Year ended 31 December	2023 US$m	2022 US$m
Non-current assets:		
Trade receivables	**2.9**	0.9
Other receivables	**14.0**	15.3
Prepaid pension contributions	**2.6**	4.0
	19.5	20.2
Current assets:		
Trade receivables	**238.1**	235.5
Current income tax assets	**1.2**	7.0
Prepayments and accrued income	**7.6**	7.4
Derivative financial instruments	**1.3**	1.6
Prepaid pension contributions	**2.3**	1.6
Other receivables	**41.5**	33.2
	292.0	286.3

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 $11.1 million (2022: $6.6 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 $7.3 million (2022: $7.6 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 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**

	Current	1–3 months past due	3–6 months past due	6+ months past due	Total 2022
Expected loss rate	0.3%	2%	26%	79%	
Gross carrying amount (US$m)	204.8	29.2	2.7	7.3	244.0
Loss allowance provision (US$m)	0.6	0.5	0.7	5.8	7.6

The movements in the expected loss allowance are analysed as follows:

	2023 US$m	2022 US$m
At 1 January	**7.6**	8.9
Currency translation differences	**(0.1)**	(0.5)
Acquisition of subsidiaries	**–**	0.7
Disposal of subsidiaries	**(0.9)**	(2.1)
Charged to the income statement	**1.6**	1.1
Amounts written off during the year	**(0.9)**	(0.5)
At 31 December	**7.3**	7.6

As at 1 January 2022, trade receivables amounted to $241.5 million (net of loss allowance of $8.9 million).

20 Derivative financial instruments – assets

Derivative financial instruments within non-current and current assets comprise:

Year ended 31 December	2023 US$m	2022 US$m
Fair value through the income statement:		
Forward foreign currency contracts	**1.3**	1.6
Amounts shown within current assets	**1.3**	1.6

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	2023 US$m	2022 US$m
Amounts falling due within one year:		
Trade payables	**163.2**	151.3
Amounts owed to joint ventures	**15.3**	15.0
Other tax and social security payable	**5.6**	8.9
Other payables	**33.7**	30.8
Accruals	**38.7**	43.9
Contract liabilities	**11.1**	7.9
Derivative financial instruments	**3.6**	6.0
Employee entitlements	**14.4**	14.6
	285.6	278.4
Amounts falling due after more than one year:		
Other payables	**–**	20.7
Contract liabilities	**1.6**	1.5
Employee entitlements	**1.6**	1.1
Derivative financial instruments	**–**	3.0
	3.2	26.3

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.

As at 31 December 2023, amounts relating to uncertain tax positions are included as income tax liabilities within current liabilities in the consolidated statement of financial position (previously disclosed as other payables within non-current liabilities).

Contract liabilities amounting to $5.9 million (2022: $6.6 million) which were outstanding at 31 December 2022 were released to revenue during the year ended 31 December 2023, with the remainder expected to be released in 2024 and 2025.

Notes to the financial statements cont.

22 Derivative financial instruments – liabilities

Derivative financial instruments within non-current and current liabilities comprise:

Year ended 31 December	2023 US$m	2022 US$m
Fair value through the income statement:		
Forward foreign currency contracts	**1.8**	5.9
Interest rate swap contracts	**1.8**	3.1
	3.6	9.0
Amounts shown within non-current liabilities	**–**	3.0
Amounts shown within current liabilities	**3.6**	6.0

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	2023 US$m	2022 US$m
Bank overdrafts	**20.9**	14.7
Borrowings repayable within one year	**123.4**	2.0
Due within one year	**144.3**	16.7
Borrowings repayable between one and two years	**–**	360.4
Borrowings repayable between two and five years	**272.7**	189.7
Due after more than five years	**99.5**	–
Due after more than one year	**372.2**	550.1
Bank overdrafts	**20.9**	14.7
Series A and Series B Senior Notes	**472.3**	222.3
Bank and other borrowings	**23.3**	329.8
	516.5	566.8

On 6 December 2017 the Group issued $125.0 million of 3.88% Series A Senior Notes due 6 December 2024 and $100.0 million of 4.07% Series B Senior Notes due 6 December 2027 in a US private placement. Interest is payable semi-annually in arrears on 6 June and 6 December of each year beginning on 6 June 2018. The Senior Notes are unsecured and rank equally with all the Group's other unsecured and unsubordinated indebtedness.

In April 2021 the Group entered into a $360.0 million three year bank facility, with the ability for two one-year extensions. The facility bears interest at the risk free rate plus a credit adjustment spread and a margin. The facility also includes an ESG component which impacts the margin based on performance against three of the Group's published sustainability targets.

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 cash inflow from the USPP issuance was $248.6 million, net of fees.

Series A and Series B Senior Notes at 31 December 2023 of $472.3 million includes a fair value adjustment to the nominal amount outstanding of $1.8 million, for which the Group has interest rate swaps which are accounted for as fair value hedges.

The currency and interest rate profile of the Group's borrowings is included in note 34 on page 171.

24 Deferred tax liabilities

	2023 US$m	Restated* 2022 US$m
At 1 January	**78.2**	26.5
Currency translation differences	**(0.2)**	2.0
Acquisition of subsidiaries (note 31)	**–**	54.8
(Credited)/charged to the income statement	**(14.1)**	2.0
Credited to the other comprehensive income and expense	**–**	(6.8)
Credited to equity	**–**	(0.3)
At 31 December	**63.9**	78.2

* Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

Notes to the financial statements cont.

24 Deferred tax liabilities cont.

	2023		Restated* 2022	
	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	**(3.8)**	**0.1**	14.8	(17.8)
Other temporary differences	**(5.8)**	**(7.3)**	(13.8)	(7.6)
Revenue losses carried forward[1]	**(65.2)**	**(330.1)**	(10.6)	(242.1)
Capital losses carried forward	**–**	**(362.8)**	–	(355.7)
Investment in subsidiaries	**10.0**	**8.6**	4.5	6.8
Acquired intangibles	**104.3**	**–**	51.8	–
Retirement benefit obligations	**6.4**	**(0.7)**	7.1	(1.5)
	45.9	**(692.2)**	53.8	(617.9)

[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:

	2023	Restated* 2022
	Provided/ (recognised) US$m	Provided/ (recognised) US$m
Deferred tax assets (note 17)	**(18.0)**	(24.4)
Deferred tax liabilities	**63.9**	78.2
	45.9	53.8

* Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

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. As a result of this offset there are no gross amounts of deferred tax liabilities or deferred tax assets included in the consolidated statement of financial position at 31 December 2023 and 31 December 2022 in respect of this. In the analysis of the Group's deferred tax balances above, the amounts are disclosed on a gross basis at 31 December 2023 and were disclosed on a net basis at 31 December 2022.

The amount of the deferred tax asset that can be recognised is dependent on the time period over which the taxable temporary difference reverses. This is due to the UK 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 2023 the Group had approximately $1.6 billion (2022: $1.5 billion) of unused gross revenue losses, approximately $1.4 billion (2022: $1.3 billion) of unused gross capital losses and approximately $536.1 million of gross other temporary differences available for offset against future profits. A deferred tax asset of $65.2 million (2022: $10.6 million) has been recognised in respect of $277.2 million (2022: $40.7 million) of such income tax losses. No deferred tax asset has been recognised in respect of the remaining losses and other temporary differences due to lack of certainty regarding the availability of future taxable income. Such losses and other temporary 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.

The Group's income tax losses can be analysed as follows:

	2023 US$m	2022 US$m
Expiring within 5 years	**23.2**	17.0
Expiring in more than 5 years	**19.0**	10.5
Available indefinitely	**1,573.5**	1,457.8
	1,615.7	1,485.3

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $8.6 million (2022: $6.8 million). Deferred tax on distribution of these profits of $116.1 million at 31 December 2023 (2022: $67.7 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	2023 US$m	2022 US$m
Provisions are included as follows:		
Current liabilities	**17.1**	18.2
Non-current liabilities	**19.3**	25.4
	36.4	43.6

Notes to the financial statements cont.

25 Provisions cont.

Provisions are analysed as follows:

Year ended 31 December	2023 US$m	2022 US$m
Property related provisions	3.4	0.9
Other provisions	33.0	42.7
	36.4	43.6

	Property related provisions US$m	Other provisions US$m	Total US$m
At 1 January 2023	0.9	42.7	43.6
Currency translation differences	–	0.1	0.1
Disposal of subsidiaries (see note 32)	–	(0.6)	(0.6)
Utilised in year	–	(31.4)	(31.4)
Charged to the income statement	2.5	22.2	24.7
At 31 December 2023	3.4	33.0	36.4

Other provisions include amounts in relation to strategic projects (see note 4) of $3.2 million (2022: $7.8 million) as well as amounts set aside to cover certain legal and other regulatory claims, including 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	2023 Number	2023 US$m	2022 Number	2022 US$m
Ordinary Shares of 5p each	1,597,810,385	99.0	1,597,810,385	99.0

As at 1 January 2022 the company had 1,452,570,385 Ordinary shares in issue. During the year ended 31 December 2022 the company issued 145,240,000 Ordinary shares. The company has one class of Ordinary shares which carry no right to fixed income.

The own shares reserve of $6.1 million at 31 December 2023 (2022: $0.1 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 2023 was 6,124,223 (2022: 805,501).

Details of share awards outstanding under the Group's LTIP and Deferred Bonus Plans are set out in note 33.

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$m	Retained profit US$m	Non-controlling interests US$m
At 1 January 2023 (as restated)*	111.4	(0.1)	(116.6)	59.8	246.3	216.7	34.1
Dividends	–	–	–	–	–	(40.6)	(19.7)
Currency translation differences	–	–	6.9	–	–	–	(0.7)
Actuarial gains on employee benefits	–	–	–	–	–	(70.8)	–
Tax on actuarial gains	–	–	–	–	–	(0.2)	–
Remeasurement of equity investment at fair value	–	–	–	–	–	(6.7)	–
Purchase of own shares	–	(10.1)	–	–	–	–	–
Movement in own shares	–	4.1	–	–	–	(4.5)	–
Share based payments	–	–	–	–	–	7.0	–
Profit for the year	–	–	–	–	–	56.5	17.6
At 31 December 2023	111.4	(6.1)	(109.7)	59.8	246.3	157.4	31.3

* Pension surplus amounts at 31 December 2022 and 31 December 2021 for the Coats UK and US pension schemes have been restated to reflect a change in measurement as further described in note 1. There is no impact on ether profits or cash flows for the year ended 31 December 2022.

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 2023 US$m	Year ended 31 December 2022 US$m	31 December 2023 US$m	31 December 2022 US$m
EMEA	0.9	0.7	1.7	1.4
Asia & Rest of World	16.7	21.3	29.6	32.7
	17.6	22.0	31.3	34.1

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 198 to 203.

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 2023, the remaining provision was $12.2 million (31 December 2022: $9.2 million taking into account expected insurance reimbursements). 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. On 31 January 2024, DOJ moved for entry of the settlement on behalf of EPA, with amendments that are not material to CC. Court approval is necessary for the settlement to go into effect, and OCC has indicated that it will oppose such approval. DOJ and EPA have asserted that the settlement is fair and reasonable and that it should be approved by the court, and courts have generally deferred to EPA's judgment on such matters. However, it is nonetheless possible that the court may not approve the settlement. It is also possible that the court may approve the settlement but permit OCC's 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 2023, the Group had commitments of $8.7 million in respect of contracts placed for future capital expenditure (2022: $5.6 million).

30 Notes to the consolidated cash flow statement

a) Reconciliation of operating profit to cash generated from operations

Year ended 31 December	2023 US$m	2022* US$m
Operating profit[1]	**184.0**	181.1
Depreciation of owned property, plant and equipment	**27.0**	26.1
Deprecation of right-of-use assets	**18.8**	18.9
Amortisation of intangible assets	**22.9**	12.6
Decrease in inventories	**21.1**	45.2
(Increase)/decrease in debtors	**(22.8)**	10.1
Increase/(decrease) in creditors	**18.9**	(74.8)
Provisions and pension movements	**(53.1)**	(43.2)
Foreign exchange and other non-cash movements	**4.5**	8.8
Discontinued operations	**(4.0)**	(8.3)
Cash generated from operations	**217.3**	176.5

[1] Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

b) Interest paid

Year ended 31 December	2023 US$m	2022 US$m
Interest paid	**(33.7)**	(24.8)
Discontinued operations	**–**	(0.7)
	(33.7)	(25.5)

c) Taxation paid

Year ended 31 December	2023 US$m	2022 US$m
Overseas tax paid	**(59.7)**	(54.6)

d) Investment income

Year ended 31 December	2023 US$m	2022 US$m
Dividends received from joint ventures	**0.6**	0.5

Notes to the financial statements cont.

30 Notes to the consolidated cash flow statement cont.

e) Capital expenditure and financial investment

Year ended 31 December	2023 US$m	2022* US$m
Purchase of property, plant and equipment and intangible assets	(31.0)	(33.7)
Purchase of other equity investments	(0.4)	(0.1)
Proceeds from disposal of property, plant and equipment	11.8	2.8
Discontinued operations	(0.1)	(0.6)
	(19.7)	(31.6)

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

f) Acquisitions and disposals of businesses

Year ended 31 December	2023 US$m	2022 US$m
Acquisition of businesses (note 31)	–	(271.2)
Disposal of business (note 32)	(1.2)	(17.0)
	(1.2)	(288.2)

g) Summary of net debt

Year ended 31 December	2023 US$m	2022 US$m
Cash and cash equivalents	132.4	172.4
Bank overdrafts	(20.9)	(14.7)
Net cash and cash equivalents	111.5	157.7
Borrowings (see note 23)	(495.6)	(552.1)
Net debt excluding lease liabilities	(384.1)	(394.4)
Lease liabilities (see note 15)	(86.8)	(105.4)
Total net debt	(470.9)	(499.8)

For financial covenant purposes, 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 2023 for covenant purposes was $388.8 million (31 December 2022: $399.9 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 2022	(227.5)	(10.4)	(99.0)	(336.9)	(16.4)	107.2	(246.1)
Financing cash flows	–	(256.7)	18.1	(238.6)	–	–	(238.6)
Other cash flows	–	–	4.9	4.9	1.7	70.4	77.0
Acquisition of subsidiaries (note 31)	–	(62.5)	–	(62.5)	–	–	(62.5)
Non-cash movements	5.2	(1.0)	(36.0)	(31.8)	–	–	(31.8)
Foreign exchange	–	0.8	6.6	7.4	–	(5.2)	2.2
At 31 December 2022	(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 (note 32)	–	–	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)

The non-cash movement during the year ended 31 December 2023 of $1.4 million (2022: $5.2 million) within Series A and Series B Senior Notes predominantly represents the movement in the fair value adjustment to the nominal amount outstanding of $475.0 million and relates to interest rate swaps which are accounted for as fair value hedges.

The non-cash movement during the year ended 31 December 2023 of $7.5 million (2022: $36.0 million) within lease liabilities relates to the following: the unwind of lease liabilities of $5.6 million (2022: $4.9 million) and the impact of entering into new leases, disposals and modification of existing leases of $1.9 million (2022: $31.1 million).

Total interest paid during the year ended 31 December 2023 was $33.7 million (2022: $25.5 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 2023 for the above Senior Notes, bank loans and overdrafts and lease liabilities was $35.9 million (2022: $23.8 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	2023 US$m	2022 US$m
Current assets:		
Cash and cash equivalents	**132.4**	172.4
Current liabilities:		
Bank overdrafts and other borrowings	**(144.3)**	(16.7)
Lease liabilities	**(17.5)**	(19.0)
Non-current liabilities:		
Borrowings	**(372.2)**	(550.1)
Lease liabilities	**(69.3)**	(86.4)
Total net debt	**(470.9)**	(499.8)

31 Acquisitions

The Group completed two acquisitions during the prior year ended 31 December 2022 obtaining control of both Texon and Rhenoflex, leading manufacturers of structural footwear components supplying the world's leading footwear brands. Both have operations in Asia and Europe and are complementary additions to Coats' existing footwear business with opportunities to leverage existing footprints and combine expertise in the attractive athleisure footwear market.

- On 20 July 2022, the Group acquired the entire share capital of Torque Group International Fortune Limited ('Texon') for $211.0 million. On completion, the Group immediately settled all Texon's external bank debt of $24.4 million such that the total cash outflow was $235.4 million.
- On 23 August 2022, the Group also purchased the entire share capital of Rhenoflex GmbH ('Rhenoflex') for $81.5 million. On completion, the Group immediately settled all of Rhenoflex's external bank debt of $38.1 million such that the total cash outflow was $119.6 million.

The Texon transaction was funded through a $240.0 million term loan acquisition facility, which was refinanced in February 2023 and the Rhenoflex transaction was predominately financed through an equity raise of $109.8 million net of costs.

These acquisitions were accounted for as business combinations using the acquisition method in accordance with IFRS 3 'Business Combinations.' For each acquisition, a provisional assessment of the fair values of identified assets acquired and liabilities assumed had been undertaken during the year ended 31 December 2022 with assistance provided by external valuation specialists.

The assessment of the fair value of assets and liabilities acquired was completed within twelve months of the acquisition dates. No changes were necessary to the provisional fair values recognised in the year ended 31 December 2022.

Goodwill and intangible assets acquired for Texon and Rhenoflex totalled $338.7 million.

The purchase consideration was paid in cash with the amounts included in the statement of consolidated cash flows for the year ended 31 December 2022 as follows:

	Texon US$m	Rhenoflex US$m	Total US$m
Purchase consideration paid to previous owners	211.0	81.5	292.5
Cash and cash equivalents acquired	(16.8)	(4.5)	(21.3)
Acquisition of businesses – investing cash flows	**194.2**	**77.0**	**271.2**
External bank borrowings settled on completion – financing cash flows	24.4	38.1	62.5
Total cash out flow on respective acquisition dates	**218.6**	**115.1**	**333.7**

The repayment of the external bank borrowings of Texon and Rhenoflex on the respective completion dates of the acquisitions was presented as financing cash flows for the year ended 31 December 2022. The total cash outflow for the acquisitions of Texon and Rhenoflex in the year ended 31 December 2022 was $346.0 million comprising the total cash outflow on the respective acquisition dates of $333.7 million plus transaction costs paid of $12.3 million.

For the period from 1 January 2022 to their respective acquisition dates, Texon and Rhenoflex revenue was $145.9 million and adjusted operating profit before exceptional and acquisition related items was $16.0 million.

32 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 has been presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023. Amounts for year ended 31 December 2022 in the consolidated income statement have been represented to reclassify the results of the European Zips business from continuing operations to discontinued operations.

Notes to the financial statements cont.

32 Discontinued operations cont.

Sale of Brazil and Argentina

During the prior year ended 31 December 2022, the Group completed the sale of its business in Brazil and Argentina to Reelpar SA, an entity backed by a Sao Paulo Private Equity Firm. The sale was completed on 26 May 2022. The results of the business in Brazil and Argentina were presented as discontinued operation in the consolidated income statement for the year ended 31 December 2022.

a) Discontinued operations

The results of the discontinued operations are presented below:

Year Ended 31 December	2023 European Zips Total US$m	European Zips US$m	Brazil & Argentina US$m	2022* Total US$m
Revenue	**25.3**	46.2	26.3	72.5
Cost of sales	**(23.7)**	(37.8)	(22.6)	(60.4)
Gross profit	**1.6**	8.4	3.7	12.1
Distribution costs	**(2.6)**	(4.1)	(3.8)	(7.9)
Administrative expenses	**(2.0)**	(4.4)	(3.3)	(7.7)
Operating loss	**(3.0)**	(0.1)	(3.4)	(3.5)
Finance costs	**–**	–	(0.3)	(0.3)
Loss before taxation	**(3.0)**	(0.1)	(3.7)	(3.8)
Taxation	**–**	–	–	–
Loss from discontinued operations for the year	**(3.0)**	(0.1)	(3.7)	(3.8)
Loss on disposal (note 32 (b))	**(17.1)**	–	(68.9)	(68.9)
Exchange losses transferred to income statement on disposal	**(6.6)**	–	(15.0)	(15.0)
Total loss from discontinued operations	**(26.7)**	(0.1)	(87.6)	(87.7)

The operating loss before exceptional items of the European zips business for the year ended 31 December 2023 was $1.3 million (2022: operating profit before exceptional items of $2.2 million). Exceptional items charged to operating loss from discontinued operations was $1.7 million (2022: $2.3 million). As a result the operating loss of the European Zips business for the year ended 31 December 2023 was $3.0 million (2022: $0.1 million).

Exceptional items – discontinued operations

Exceptional items charged to loss from discontinued operations are set out below:

Year Ended 31 December	2023 US$m	2022* US$m
Strategic project costs:		
– Cost of sales	**(1.5)**	–
– Administrative expenses	**(0.2)**	(2.3)
Loss on disposal (note 32(b))	**(17.1)**	(68.9)
Exchange losses transferred to income statement on disposal	**(6.6)**	(15.0)
Total exceptional items – discontinued operations	**(25.4)**	(86.2)

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Strategic project costs – At the end of 2021 the Group commenced a strategic project to improve margins by optimising the portfolio and footprint and improving the overall cost base efficiency. As a result of these activities, exceptional restructuring costs million were incurred during the year ended 31 December 2023 of $1.7 million (2022: $2.3 million) which included severance costs incurred in connection with the closure of the zips plant in Poland and legal, advisers, closure and related costs. Non-cash impairment charges of property, plant and equipment and right-of-use assets incurred during the year ended 31 December 2023 were $0.8 million.

Loss per ordinary share from discontinued operations

The loss per ordinary share from discontinued operations is as follows:

Year Ended 31 December	2023 Cents	2022* Cents
Loss per ordinary share from discontinued operations:		
Basic loss per ordinary share	**(1.66)**	(5.80)
Diluted loss per ordinary share	**(1.64)**	(5.76)

Cash flows from discontinued operations

The table below sets out the cash flows from discontinued operations:

Year ended 31 December	2023 US$m	2022* US$m
Net cash outflow from operating activities	**(4.0)**	(9.0)
Net cash outflow from investing activities	**(0.1)**	(0.6)
Net cash flows from discontinued operations	**(4.1)**	(9.6)

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Notes to the financial statements cont.

32 Discontinued operations cont.

b) Loss on disposal

The major classes of assets and liabilities disposed relating to the European Zips business was as follows:

	US$m
Property, plant and equipment	2.4
Right-of-use assets	0.8
Inventories	8.9
Trade and other receivables	8.3
Cash and cash equivalents	1.2
Total assets	**21.6**
Trade and other payables	(5.1)
Lease liabilities	(0.9)
Retirement benefit obligations	(1.1)
Provisions	(0.6)
Total liabilities	**(7.7)**
Net assets disposed	**13.9**
Consideration paid	(1.9)
Disposal costs and completion adjustments	5.1
Exceptional loss on disposal – discontinued operations	**17.1**

The consideration received on the date of disposal 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.

The consideration received from the sale of the Mauritius and Madagascar business in January 2023 was $1.4 million and, net of cash and cash equivalents disposed of $0.6 million, there was a net inflow in the year ended 31 December 2023 of $0.8 million (see note 4). The results of the Mauritius and Madagascar businesses are included in continuing operations in the Apparel segment.

As a result of the disposals of the European Zips and Mauritius and Madagascar businesses, the total cash flow outflow in the year ended 31 December 2023 from the disposal of businesses was $1.2 million.

33 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 88 to 99 in the audited part of the Directors' Remuneration Report.

Year ended 31 December	2023 US$m	2022 US$m
Short-term employee benefits	**6.2**	10.3
Share based payments	**3.0**	2.1
	9.2	12.4

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	
	2023 US$m	2022 US$m	2023 US$m	2022 US$m
Joint ventures	**1.4**	1.4	**55.7**	63.2

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.

34 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	2023 US$m	2022 US$m
Financial assets carried at amortised cost:		
Cash and cash equivalents	**132.4**	172.4
Trade receivables (note 19)	**241.0**	236.4
Other receivables (note 19), net of non-financial assets $35.6 million (2022: $29.8 million)	**19.9**	18.7
	393.3	427.5
Financial assets carried at fair value through the income statement:		
Derivative financial instruments (note 20)	**1.3**	1.6
	1.3	1.6
Other financial assets carried at fair value through the statement of comprehensive income:		
Other investments (note 16)	**0.9**	5.9
	0.9	5.9
Total financial assets	**395.5**	435.0

Financial liabilities

The Group's financial liabilities are summarised below:

Year ended 31 December	2023 US$m	2022 US$m
Financial liabilities carried at amortised cost:		
Trade payables (note 21)	**163.2**	151.3
Amounts owed to joint ventures (note 21)	**15.3**	15.0
Other financial liabilities	**72.4**	74.7
Provisions (note 25)	**0.8**	0.9
Lease liabilities (note 15)	**86.8**	105.4
Borrowings (note 23)	**516.5**	566.8
	855.0	914.1
Financial liabilities carried at fair value through the income statement:		
Derivative financial instruments (note 22)	**3.6**	9.0
Total financial liabilities	**858.6**	923.1

Other financial liabilities include other payables, other than taxation, contract liabilities, employee entitlements and other statutory liabilities.

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Notes to the financial statements cont.

34 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	2023 Book value US$m	2023 Fair value US$m	2022 Book value US$m	2022 Fair value US$m
Primary financial instruments:				
Cash and cash equivalents	**132.4**	**132.4**	172.4	172.4
Trade receivables	**241.0**	**241.0**	236.4	236.4
Other receivables	**19.9**	**19.9**	18.7	18.7
Other investments	**0.9**	**0.9**	5.9	5.9
Trade payables	**(163.2)**	**(163.2)**	(151.3)	(151.3)
Amounts owed to joint ventures	**(15.3)**	**(15.3)**	(15.0)	(15.0)
Other financial liabilities and provisions	**(73.2)**	**(73.2)**	(75.6)	(75.6)
Borrowings	**(516.5)**	**(516.5)**	(566.8)	(566.8)
Derivative financial instruments:				
Forward foreign currency contracts	**(0.5)**	**(0.5)**	(4.3)	(4.3)
Interest rate swaps	**(1.8)**	**(1.8)**	(3.1)	(3.1)
Net financial liabilities	**(376.3)**	**(376.3)**	(382.7)	(382.7)

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
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**
2022				
Financial assets measured at fair value through the income statement:				
Trading derivatives	1.6	–	1.6	–
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	5.9	0.9	–	5.0
	7.5	0.9	1.6	5.0

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
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)**	**–**
2022				
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(5.9)	–	(5.9)	–
Derivatives designated as effective hedging instruments	(3.1)	–	(3.1)	–
	(9.0)	–	(9.0)	–

Notes to the financial statements cont.

34 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.

Equity instruments that are classified as level 3 financial instruments relate to the Group's investment in Twine Solutions Limited and other entities. The Group has elected to measure the equity investments currently held at fair value through other comprehensive income, as they are not held for trading. The investments are measured at fair value at each reporting date (as required under IFRS 9), with changes in fair value of the investments recognised within other comprehensive income. Unlisted investments are stated at fair value based on directors' valuation, which is supported by external experts' advice or other external evidence.

During the year ended 31 December 2023 a charge of $6.7 million (2022: $nil) was recognised within other comprehensive income following an assessment at 31 December 2023 of the fair value of the Group's equity investments that are classified as level 3 financial instruments.

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 169 to 173 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 2023, 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 $360.0 million, of which $25.0 million had been drawn down at year end, and $475.0 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 2023 the Group has fixed to floating interest rate swap contracts designated as fair value hedges against $65.0 million of fixed interest Senior Notes. The fair value of these hedges as at 31 December 2023 was $1.8 million (see note 22) and borrowings includes a corresponding fair value adjustment to the nominal amount outstanding in the Consolidated Statement of Financial Position.

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.

34 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 $1.8 million (2022: $5.0 million), and would reduce shareholders' funds by approximately $1.8 million (2022: $5.0 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 163), 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 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**

	Net foreign currency financial assets/(liabilities)					
Functional currency 2022	Sterling US$m	US dollars US$m	Euro US$m	Indian Rupees US$m	Other US$m	Total US$m
Sterling	–	(0.3)	1.9	–	0.2	1.8
United States dollars	(8.4)	–	(6.6)	0.5	7.5	(7.0)
Euros	–	5.1	–	–	–	5.1
Indian Rupees	–	(6.0)	(0.1)	–	–	(6.1)
Other currencies	(0.2)	14.3	7.7	–	1.3	23.1
	(8.6)	13.1	2.9	0.5	9.0	16.9

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:

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**

2022	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	(1.1)	(1.1)	0.6
Increase/(decrease) in shareholders' funds	21.6	(0.8)	5.0

Notes to the financial statements cont.

34 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	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$m	2022 Investments US$m	2022 Cash and cash equivalents US$m	2022 Trade and other receivables US$m	2022 Derivative financial instruments US$m	2022 Total US$m
Currency:										
Sterling	**–**	**0.9**	**6.2**	**2.9**	**10.0**	–	1.7	6.2	10.7	18.6
United States dollars	**–**	**70.9**	**127.8**	**(18.7)**	**180.0**	5.0	97.1	114.3	(26.7)	189.7
Euros	**0.1**	**9.4**	**36.5**	**(0.4)**	**45.6**	0.1	8.6	42.1	(3.9)	46.9
Indian Rupees	**0.5**	**19.5**	**26.0**	**0.5**	**46.5**	0.8	18.9	26.3	(0.5)	45.5
Other currencies	**0.3**	**31.7**	**64.4**	**17.0**	**113.4**	–	46.1	66.2	22.0	134.3
Total financial assets	**0.9**	**132.4**	**260.9**	**1.3**	**395.5**	5.9	172.4	255.1	1.6	435.0

The investments included above comprise unlisted investments in shares and bonds.

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	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	2022 Floating rate US$m	2022 Fixed rate US$m	2022 Interest free US$m	2022 Lease liabilities US$m	2022 Derivative financial instruments US$m	2022 Total US$m
Currency:												
Sterling	**0.8**	**–**	**6.1**	**3.6**	**(15.1)**	**(4.6)**	0.3	–	4.1	3.8	(44.3)	(36.1)
United States dollars	**102.4**	**410.0**	**102.8**	**25.5**	**(0.4)**	**640.3**	400.5	160.0	99.5	28.5	41.3	729.8
Euros	**3.3**	**–**	**21.5**	**10.3**	**15.9**	**51.0**	4.0	–	26.9	12.2	22.7	65.8
Indian Rupees	**–**	**–**	**43.0**	**2.2**	**(2.7)**	**42.5**	–	–	37.4	6.6	(2.4)	41.6
Other currencies	**–**	**–**	**78.3**	**45.2**	**5.9**	**129.4**	–	2.0	74.0	54.3	(8.3)	122.0
Total financial liabilities	**106.5**	**410.0**	**251.7**	**86.8**	**3.6**	**858.6**	404.8	162.0	241.9	105.4	9.0	923.1

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	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)	2022 Fixed rate financial liabilities: Weighted average interest rate %	2022 Fixed rate financial liabilities: Weighted average period for which rate is fixed (months)	2022 Financial liabilities on which no interest is paid: Weighted average period until maturity (months)
Currency:						
Sterling	**–**	**–**	**18**	–	–	18
United States dollars	**4.79**	**49**		4.00	46	–
Other currencies	**–**	**–**		25.56	6	–
Weighted average	**4.79**	**49**	**18**	4.27	45	18

Currency profile of foreign exchange derivatives

Year ended 31 December	Assets 2023 US$m	Assets 2022 US$m	Liabilities 2023 US$m	Liabilities 2022 US$m
Currency:				
Sterling	**18.0**	55.0	**–**	–
United States dollars	**26.1**	39.2	**(42.7)**	(104.1)
Euros	**–**	–	**(16.3)**	(26.6)
Indian Rupee	**3.2**	3.7	**–**	(1.8)
Other currencies	**21.9**	43.3	**(10.7)**	(13.0)
	69.2	141.2	**(69.7)**	(145.5)

Market price risk

The Group has equity investments at 31 December 2023 of $0.9 million (2022: $5.9 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.

34 Derivatives and other financial instruments cont.

Year ended 31 December	2023 US$m	2022 US$m
Impact of a 10% increase in prices:		
Increase in pre-tax profit for the year	–	–
Increase in equity shareholders' funds	0.1	0.6

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	2023 US$m	2022 US$m
Expiring between one and two years	–	–
Expiring between two and five years	335.0	270.0

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	2023 US$m	2022 US$m
In one year or less, or on demand	387.9	419.6
In more than one year but not more than two years	5.4	5.0
In more than two years but not more than five years	–	2.9
In more than five years	0.9	5.9
	394.2	433.4

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	2023 US$m	2022 US$m
In one year or less, or on demand	417.6	282.3
In more than one year but not more than two years	16.1	383.2
In more than two years but not more than five years	313.8	233.5
In more than five years	131.9	48.1
	879.4	947.1

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	2023 US$m	2022 US$m	2023 US$m	2022 US$m
In one year or less, or on demand	69.2	126.6	(71.9)	(131.3)
In more than one year but not more than two years	–	14.5	–	(17.7)
	69.2	141.1	(71.9)	(149.0)

Notes to the financial statements cont.

34 Derivatives and other financial instruments cont.

Credit risk

Year ended 31 December	2023 US$m	2022 US$m
The Group considers its maximum exposure to credit risk to be as follows:		
Cash and cash equivalents	**132.4**	172.4
Derivative financial instruments	**1.3**	1.6
Trade receivables (net of impairment provision)	**241.0**	236.4
Other receivables	**19.9**	18.7
	394.6	429.1
Financial assets considered not to have exposure to credit risk:		
Other investments	**0.9**	5.9
Total financial assets	**395.5**	435.0
Analysis of trade receivables over permitted credit period:		
Trade receivables up to 1 month over permitted credit period	**19.6**	21.0
Trade receivables between 1 and 2 months over permitted credit period	**3.7**	5.5
Trade receivables between 2 and 3 months over permitted credit period	**1.7**	2.2
Trade receivables between 3 and 6 months over permitted credit period	**1.6**	2.0
Trade receivables in excess of 6 months over permitted credit period	**1.3**	1.5
Total trade receivables (net of impairment provision) in excess of permitted credit period	**27.9**	32.2
Trade receivables within permitted credit period	**213.1**	204.2
Total net trade receivables	**241.0**	236.4
Analysis of trade receivables impairment provision:		
Trade receivables up to 1 month over permitted credit period	**0.6**	0.6
Trade receivables between 1 and 2 months over permitted credit period	**0.1**	0.2
Trade receivables between 2 and 3 months over permitted credit period	**0.1**	0.3
Trade receivables between 3 and 6 months over permitted credit period	**0.6**	0.7
Trade receivables in excess of 6 months over permitted credit period	**5.9**	5.8
Total impairment provision	**7.3**	7.6

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 2023, 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.

At 31 December 2023, the fair value of such instruments was a net liability of $2.3 million (2022: net liability of $7.4 million).

Interest rate swap fair value hedges outstanding at 31 December are expected to decrease the income statement in the following periods:

Year ended 31 December	2023 US$m	2022 US$m
Within one year	**(1.8)**	(1.6)
Within one to two years	**–**	(1.5)
	(1.8)	(3.1)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is USD SOFR plus a margin.

Notes to the financial statements cont.

35 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	2023 US$m	2022 US$m
Long Term Incentive Plan (LTIP)	**6.1**	3.7
Deferred bonuses	**0.9**	0.9
	7.0	4.6

The average share price for the year ended 31 December 2023 was 72.1p (2022: 66.0p).

LTIP

Under the terms of the Coats Group LTIP, executive directors and key senior executives may be awarded each year conditional entitlements to ordinary shares in the Company (in the form of nil cost options). The vesting of awards is subject to the satisfaction of a three-year performance condition, which is determined by the Remuneration Committee at the time of grant. The performance condition includes both market and non-market based measures.

Details of options outstanding under equity settled awards:

	2023 Options	2022 Options
Outstanding at 1 January	**40,895,571**	42,003,141
Granted during the year	**11,100,414**	12,221,204
Vested during the year	**(10,718,829)**	(6,467,817)
Lapsed during the year	**(2,819,551)**	(4,422,917)
Exercised during the year	**(2,887,229)**	(2,438,040)
Outstanding at 31 December	**35,570,376**	40,895,571
Exercisable at 31 December	**3,188,382**	3,692,768

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 7.5 years (2022: 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 20% (2022: 20%) of the award, being met, using the following assumptions:

	2023	2022
Vesting period	**3 Years**	3 years
Share price at valuation date	**78.4p**	66.0p
Exercise price	**Nil**	Nil
Risk free rate	**3.29%**	1.04%
Expected dividend yield	**0%**	0%
Expected volatility	**35.84%**	39.93%
Fair value per share	**56.5p**	48.4p

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 2023 had a weighted average remaining contractual life of 8.4 years (2022: 7.9 years).

36 Post balance sheet events

There are no material post balance sheet events requiring adjustment or disclosure.

37 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.

37 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 reconciliation of alternative performance measures to the most directly comparable measures reported in accordance with IFRS is provided on pages 175 to 177.

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.

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	2023 US$m	2022* US$m	% Growth
Revenue from continuing operations	1,394.2	1,537.6	(9%)
Constant currency adjustment	–	(49.8)	
Revenue on a CER basis	1,394.2	1,487.8	(6%)
Revenue from acquisitions[1]	(119.3)	–	
Organic revenue on a CER basis	1,274.9	1,487.8	(14%)

Year ended 31 December	2023 US$m	2022* US$m	% Growth
Operating profit from continuing operations[2]	184.0	181.1	2%
Exceptional and acquisition related items (note 4)	49.4	51.6	
Adjusted operating profit from continuing operations	233.4	232.7	–
Constant currency adjustment	–	(7.5)	
Adjusted operating profit on a CER basis	233.4	225.2	4%
Operating loss from acquisitions[1]	(16.9)	–	
Organic adjusted operating profit on a CER basis	216.5	225.2	(4)%

1. Revenue and operating profit from acquisitions relates to Texon and Rhenoflex for the period from January to July 2023 and January to August 2023 respectively so as to include like-for-like contributions from Texon (acquired July 2022) and Rhenoflex (acquired August 2022).
2. 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	2023 US$m	2022* US$m
Profit before taxation from continuing operations	155.8	151.4
Share of profit of joint ventures	(1.1)	(1.1)
Finance income (note 6)	(4.6)	(2.6)
Finance costs (note 7)	33.9	33.4
Operating profit from continuing operations[1]	184.0	181.1
Exceptional and acquisition related items (note 4)	49.4	51.6
Adjusted operating profit from continuing operations	233.4	232.7
Depreciation of owned property, plant and equipment	27.0	26.1
Amortisation of intangible assets	1.4	1.7
Adjusted EBITDA including IFRS 16 depreciation of right-of-use assets (Pre-IFRS 16 basis)	261.8	260.5
Depreciation of right-of-use assets	18.8	18.9
Adjusted EBITDA	280.6	279.4

1. Refer to the consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Notes to the financial statements cont.

37 Alternative performance measures cont.

Net debt including lease liabilities under IFRS 16 at 31 December 2023 was $470.9 million (2022: $499.8 million).

This gives a leverage ratio of net debt including lease liabilities to adjusted EBITDA at 31 December 2023 of 1.7 (2022: 1.8).

Net debt excluding lease liabilities under IFRS 16 at 31 December 2023 was $384.1 million (2022: $394.4 million).

This gives a leverage ratio on a pre-IFRS 16 basis at 31 December 2023 of 1.5 (2022: 1.5).

The Group's proforma leverage on a pre-IFRS 16 basis at 31 December 2022 was 1.4 after increasing EBITDA of Texon and Rhenoflex from $11.0 million in the post-acquisition period to $30.1 million so as to include the acquisitions as if they had taken effect from 1 January 2022.

For the definition and calculation of net debt excluding lease liabilities see note 30 (g).

c) Adjusted effective tax rate

The adjusted effective tax rate removes the tax impact of exceptional and acquisition related items and net interest on pension scheme assets and liabilities to arrive at a tax rate based on the adjusted profit before taxation.

A significant proportion of the Group's net interest on pension scheme assets and liabilities relates to UK pension plans for which there is no related current or deferred tax credit or charge recorded in the income statement. The Group's net interest on pension scheme assets and liabilities is adjusted in arriving at the adjusted effective tax shown below and, in management's view, were this not adjusted it would distort the alternative performance measure. This is consistent with how the Group monitors and manages the effective tax rate.

Year ended 31 December	2023 US$m	2022* US$m
Profit before taxation from continuing operations	**155.8**	151.4
Exceptional and acquisition related items (note 4)	**49.4**	52.7
Net interest on pension scheme assets and liabilities	**(4.4)**	0.5
Adjusted profit before taxation from continuing operations	**200.8**	204.6
Taxation charge from continuing operations	**55.0**	56.4
Tax credit in respect of exceptional and acquisition related items	**2.9**	3.7
Tax credit in respect of net interest on pension scheme assets and liabilities	**0.2**	0.5
Adjusted tax charge from continuing operations	**58.1**	60.6
Adjusted effective tax rate	**29%**	30%

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	2023 US$m	2022* US$m
Profit from continuing operations	**100.8**	95.0
Non-controlling interests	**(17.6)**	(22.0)
Profit from continuing operations attributable to equity shareholders	**83.2**	73.0
Exceptional and acquisition related items net of non-controlling interests (note 4)	**48.8**	52.4
Tax credit in respect of exceptional and acquisition related items	**(2.9)**	(3.7)
Adjusted profit from continuing operations	**129.1**	121.7
Weighted average number of Ordinary Shares	**1,604,955,182**	1,515,999,205
Adjusted earnings per share (cents)	**8.04**	8.02
Adjusted earnings per share (growth %)	**0.3%**	

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share for the year ended 31 December 2023 is 1,604,955,182 (2022: 1,515,999,205), the same as that used for basic earnings per ordinary share from continuing operations (see note 11).

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.

Notes to the financial statements cont.

37 Alternative performance measures cont.

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	2023 US$m	2022* US$m
Change in net debt resulting from cash flows (free cash flow)	**15.0**	(247.1)
Acquisition of businesses (note 31)	**–**	346.0
Disposal of businesses (note 32)	**1.2**	17.0
Net cash outflow from discontinued operations (note 32)	**4.1**	9.6
Payments to UK pension scheme	**48.9**	42.7
Net cash flows in respect of other exceptional and acquisition related items	**12.6**	21.6
Issue of ordinary shares	**–**	(109.8)
Purchase of own shares by Employee Benefit Trust	**10.1**	2.1
Dividends paid to equity shareholders	**40.3**	33.0
Tax inflow in respect of adjusted cash flow items	**(1.7)**	(1.4)
Adjusted free cash flow	**130.5**	113.7

*Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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	2023 US$m	2022* US$m
Operating profit from continuing operations before exceptional and acquisition related items adjusted for full year impact of acquisitions[1]	**233.4**	248.7
Non-current assets:		
Acquired intangible assets	**349.6**	366.6
Property, plant and equipment	**243.2**	254.0
Right-of-use assets	**74.4**	95.4
Trade and other receivables	**19.5**	20.2
Current assets:		
Inventories	**173.5**	201.5
Trade and other receivables	**292.0**	279.8
Current liabilities:		
Trade and other payables	**(285.6)**	(273.3)
Lease liabilities	**(17.5)**	(18.5)
Non-current liabilities		
Trade and other payables	**(3.2)**	(26.3)
Lease liabilities	**(69.3)**	(85.5)
Capital employed	**776.6**	813.9
Adjusted ROCE	**30%**	31%

1. Operating profit from continuing operations before exceptional and acquisition related items for the year ended 31 December 2022 has been adjusted to include Texon and Rhenoflex as if the acquisitions had taken effect from 1 January 2022. Including full year proforma results for the year ended 31 December 2022, rather than the actual consolidated results of these acquired businesses, better reflects the return from the capital position at the 2022 year end. Therefore this provides reliable and more relevant information on the financial performance of the Group to a user of the financial statements. Refer to note 4 for details of exceptional and acquisition related items.

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1). Amounts for non-current assets, current assets, current liabilities and non-current liabilities at 31 December 2022 exclude the discontinued European Zips business.

Company balance sheet

31 December	Notes	2023 US$m	2022 US$m
Fixed assets:			
Investments	4	**1,354.0**	1,354.0
Current assets:			
Trade and other receivables		**0.8**	0.2
Cash at bank and in hand		**0.1**	0.6
		0.9	0.8
Creditors: amounts falling due within one year:			
Loans from subsidiary undertakings		**(7.5)**	(1.7)
Trade and other payables		**(0.8)**	(0.5)
Net current liabilities		**(7.4)**	(1.4)
Net assets		**1,346.6**	1,352.6
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	**(6.1)**	(0.1)
Profit and loss account		**1,049.9**	1,049.9
Shareholders' funds		**1,346.6**	1,352.6

The Company reported a profit for the financial year ended 31 December 2023 of $41.2 million (2022: $100.0 million).

Rajiv Sharma
Group Chief Executive

Jackie Callaway
Chief Financial Officer

Approved by the Board 6 March 2024

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 2022	90.1	10.5	14.1	18.5	59.8	(0.5)	983.2	1,175.7
Profit and total comprehensive expense for the year	–	–	–	–	–	–	100.0	100.0
Issue of ordinary shares	8.9	100.9	–	–	–	–	–	109.8
Dividends to equity shareholders	–	–	–	–	–	–	(32.9)	(32.9)
Purchase of own shares	–	–	–	–	–	(2.1)	–	(2.1)
Movement in own shares	–	–	–	–	–	2.5	(0.4)	2.1
31 December 2022	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**

Company cash flow statement

Year ended 31 December	2023 US$m	2022 US$m
Net cash flows from operating activities:		
Operating profit	**40.6**	93.5
Increase in debtors	**(0.6)**	(0.2)
Net cash flows from operating activities	**40.0**	93.3
Net cash flows from investing activities:		
Investments in subsidiary undertakings	**–**	(109.8)
Net cash flows from investing activities:	**–**	(109.8)
Net cash flows from financing activities:		
Issue of ordinary shares	**–**	109.8
Purchase of own shares	**(10.1)**	(2.1)
Drawdown/(repayment) of loans from subsidiary undertakings	**9.9**	(60.5)
Proceeds from sale of own shares	**–**	2.1
Dividends paid to equity shareholders	**(40.3)**	(33.0)
Net cash flows from financing activities	**(40.5)**	16.3
Net decrease in cash and cash equivalents	**(0.5)**	(0.2)
Cash at bank and in hand at the beginning of the year	**0.6**	0.8
Cash at bank and in hand at the end of the year	**0.1**	0.6

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, 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 2023.

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.

Notes to the company financial statements cont.

1 Accounting policies cont.

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.

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 2023.

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 $41.2 million (2022: $100.0 million profit). Fees paid for the audit of the Company's annual accounts are disclosed on page 139.

Details of directors' remuneration are set out on pages 88 to 99 within the Remuneration Report and form part of these financial statements.

3 Dividends

Dividends amounting to $40.6 million in respect of the year ended 31 December 2023 were payable to Coats Group plc shareholders (2022: $32.9 million). Details of the proposed final dividend for the year ended 31 December 2023 are set out in note 12 of the consolidated financial statements.

4 Investments

	Investments in subsidiary undertakings US$m
At 1 January 2022	**1,244.2**
Additions	109.8
At 31 December 2022	**1,354.0**
At 1 January 2023 and 31 December 2023	**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 2023 (2022: 1,597,810,385).

The movement in share capital during the year is set out in note 26 of the consolidated financial statements.

The own shares reserve at 31 December 2023 of $6.1 million (2022: $0.1 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 2023 was 6,124,223 (2022: 805,501).

As at 31 December 2023 the Company had distributable profits of $281.3 million (2022: $287.3 million).

6 Related party transactions

Amounts due from and to other Group companies are disclosed on the face of the Balance Sheet on page 178.

Taskforce on Climate-related Financial Disclosures

INTRODUCTION

The report has been prepared with reference to TCFD All Sector Guidance and Supplemental Guidance for Non-Financial Groups.

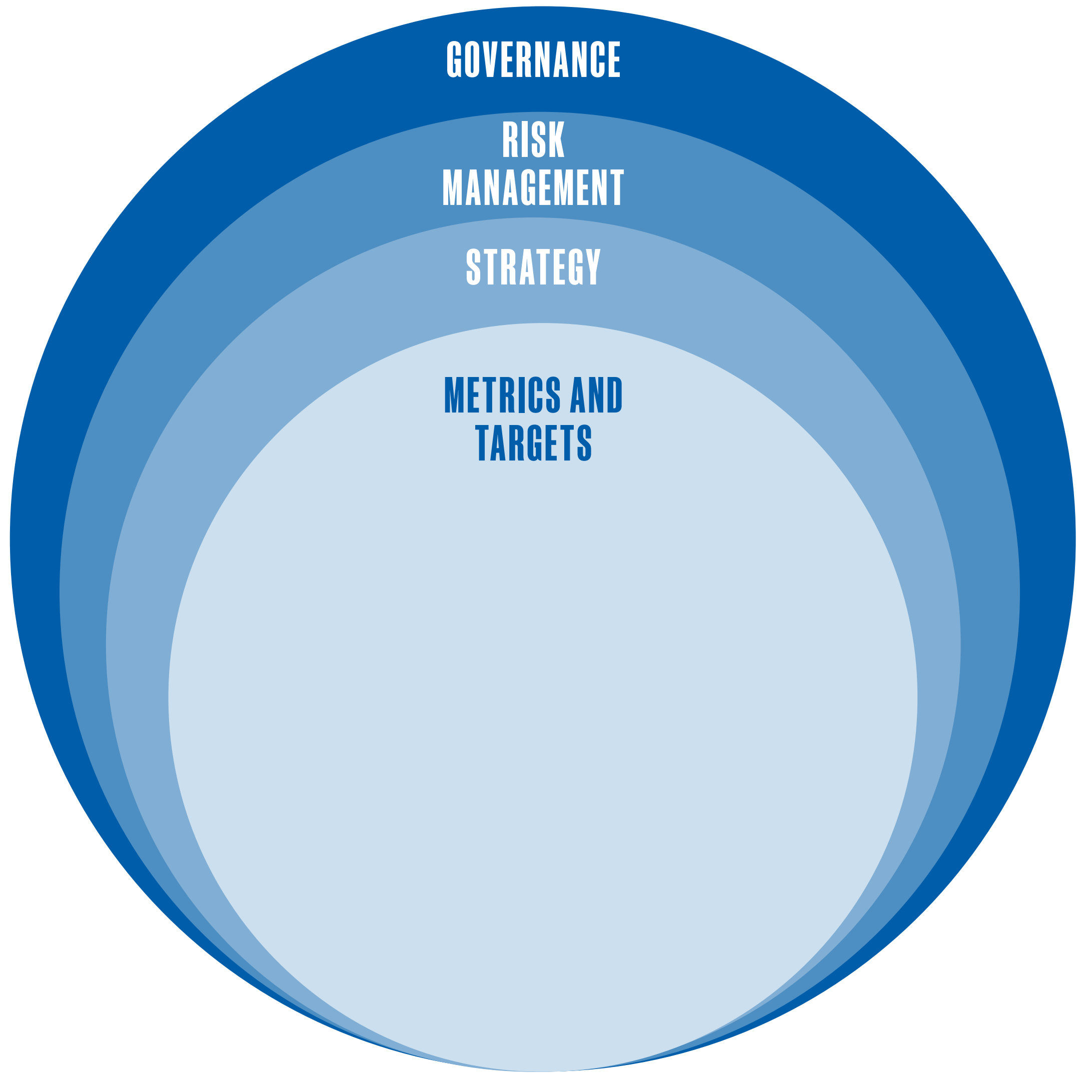
The Board has noted recommendations in relation to the mandatory disclosures of climate-related financial risk arising from FCA Listing Rule 9.8.6R(8). In complying with the requirements of the new Listing Rule on climate-related disclosures, we consider our disclosure to be consistent with all of the 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, with use of additional guidance from 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', 2021. This report covers all divisions where Coats has operational control, but does not include divestments made during FY2023.

In this report references are made to other content in this Annual Report and Accounts (ARA) and in our **Sustainability Report** (SR).

The 2023 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 185 of this report. Climate change is considered a principle risk to Coats as outlined in the Principle Risks and Uncertainties section of this report on page 52.

In 2023, we have set up a cross divisional and functional TCFD working group which supports our evaluation and assessments of physical and transitional climate risks and opportunities.

This year we have built on our review of physical risks with detailed bottom-up analysis, including the Texon and Rhenoflex footwear structural component businesses we acquired in 2022 and our two new production facilities in Mexico, Huamantla and Toluca. In 2023 we have further reviewed the base scenarios to ratify whether there have been any changes in the source physical data in the last year.



In 2023, we also conducted analysis of transition risks and opportunities with associated financial impacts for our new Footwear Division sites. This section of the annual report represents Coats' third full set of TCFD recommended disclosures, covering the four pillars as shown in the table below.

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 57, 63-65, 182
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Pages 49-50, 53, 182
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 57, 183
	b) Describe the organisation's processes for managing climate-related risks	Pages 57, 183
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Pages 49-57, 182-183
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 53, 183-185
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Pages 185-196
	c) Describe the resilience of the organisation's strategy, scenarios, including a 2°C or lower scenario taking into consideration different climate-related	Pages 184-185
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 187
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Page 105
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 197

Taskforce on Climate-Related Financial Disclosures cont.

GOVERNANCE

The Group's sustainability strategy, as well as the assessment and management of climate-related risks and opportunities, are supervised and ultimately approved by Coats' Board of Directors.

The Board endorses material decisions on climate-related strategy, metrics and targets and expenditure, both capital and operational, and examines the connection between climate-related issues and broader company strategic and material operational issues through the sub-committees described below.

Our short- and long-term targets for climate change management are intrinsically linked to our Net-Zero target and science-based targets initiative reductions in Scope 1, 2 and 3 emissions in line with the Paris Agreement for 1.5°C. Our progress against these and against several underlying interim targets, which make up our Net-Zero transition plan, are monitored by the Board.

At management level, 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. 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, including on climate-related issues, and receives updates on KPI performance from the GET including on mitigating actions related to climate change.

Our Group Chair, David Gosnell, chairs our Sustainability Committee, and Nicholas Bull, our Senior Independent Non-Executive Director is named as the Advocate for ESG, and also a member. Christopher Dearing, Group Sustainability Director is the 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.

The GET reports progress on agreed actions directly to the Board, the Sustainability Committee and the executive Group Risk Management Committee (GRMC) as 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.

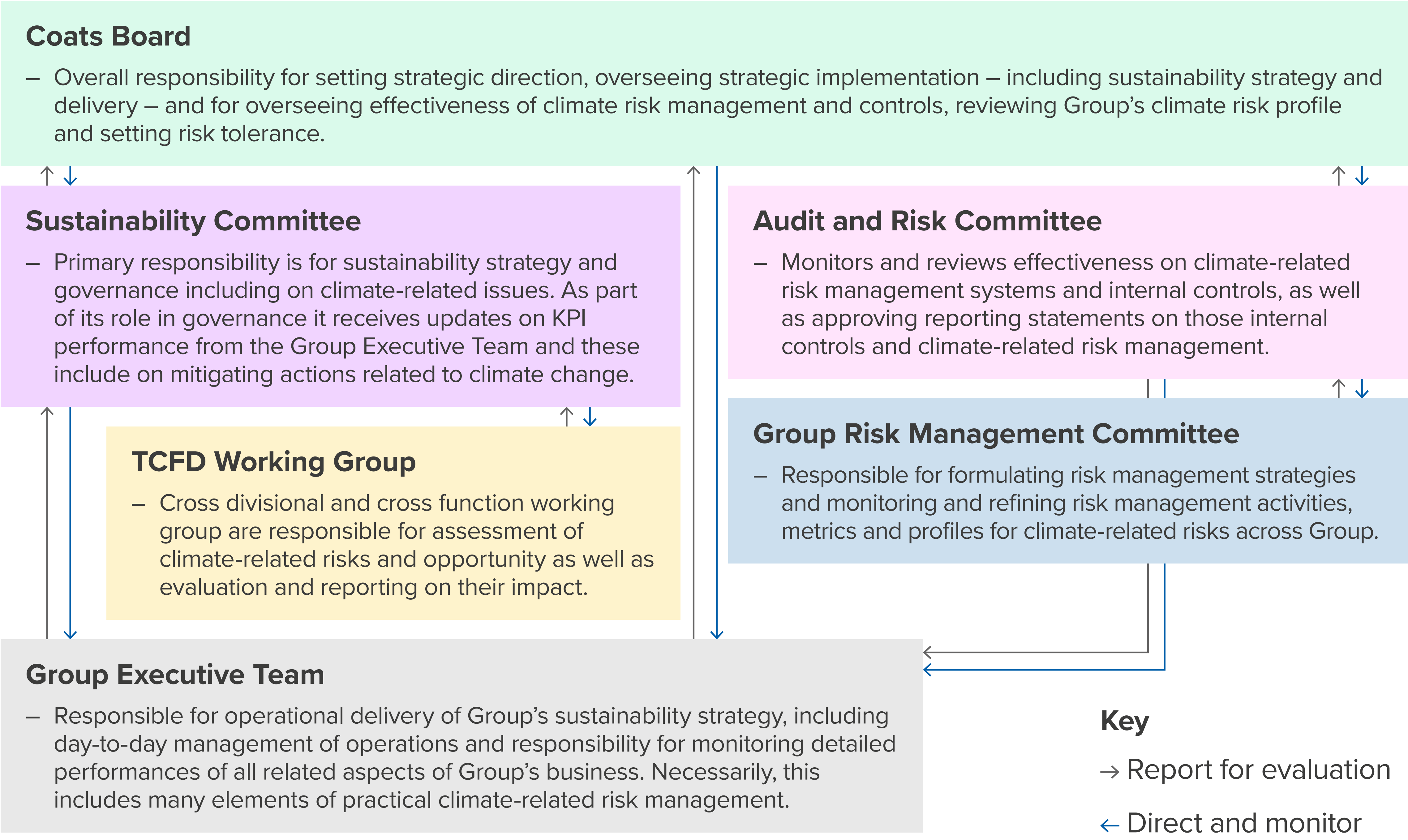
Following the acquisitions of Texon and Rhenoflex in mid-2022 and the subsequent business reorganisation into three discrete divisions at the end of last year, we established a TCFD working group in early 2023 that consists of Senior Management from each Division and includes representation from corporate functions.

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 and is reported automatically to multiple internal stakeholders including the GET via dashboards.

The overall governance structure for climate-related risks and opportunities is illustrated in the attached graphic.

> "New Scope 1&2 emissions reduction targets were approved by the Board in December 2022, and linked to senior management Long Term Incentive Plans."
>
> David Gosnell,
> **Chair**

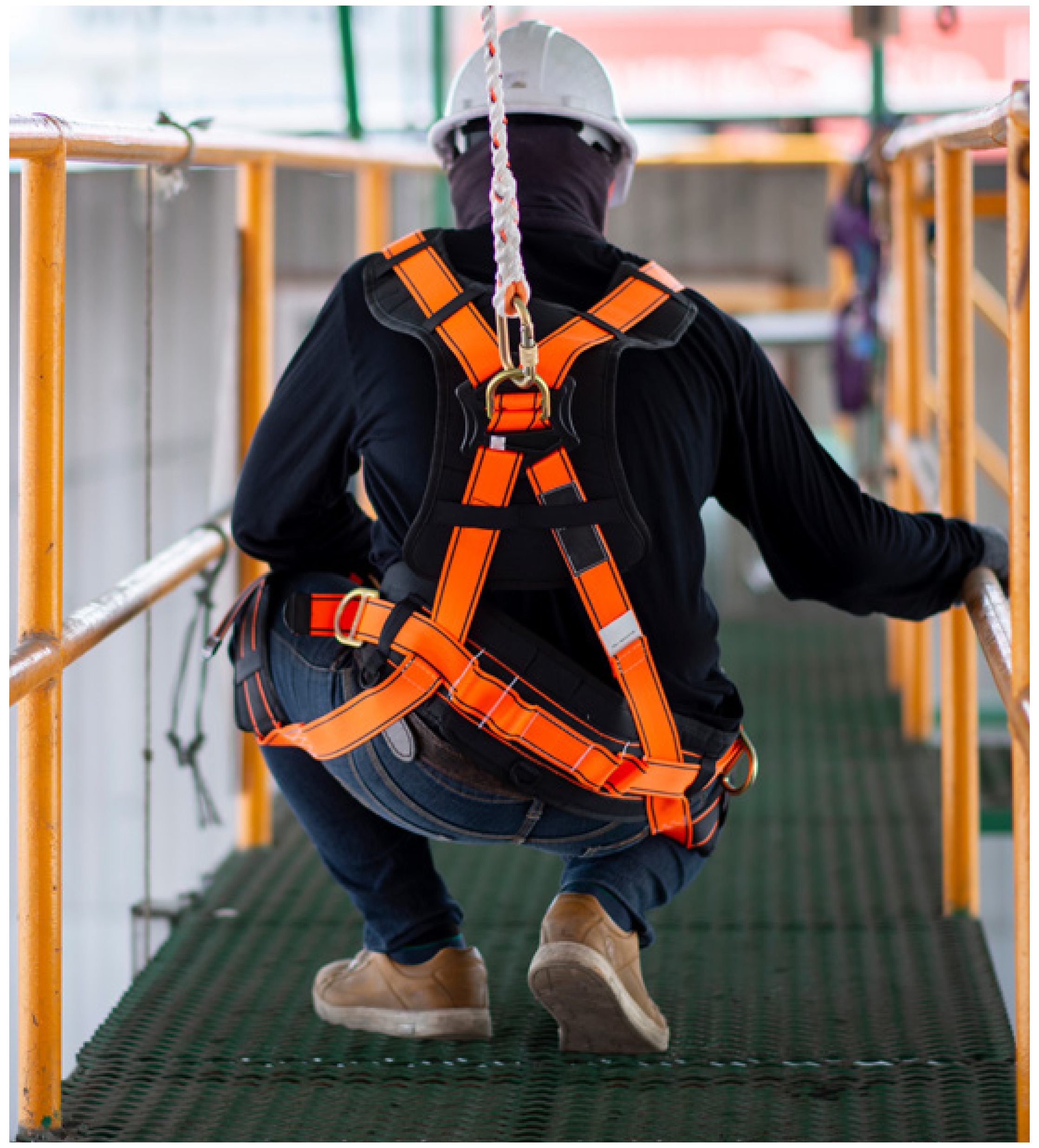


Taskforce on Climate-Related Financial Disclosures cont.

RISK MANAGEMENT

Coats is committed to managing the climate-related risks and opportunities that affect our business, our customers, our suppliers and our stakeholders. We have adopted a systematic approach to assess the potential impacts of climate change on our operations, markets and products, as well as the opportunities to enhance our resilience to climate-related change.

Our approach does not change on a short-term basis, as we consider climate change to be a long-term strategic issue that requires continuous monitoring and adaptation. Therefore, our approach to risk assessment is aligned with what we have reported in our **2022 TCFD report**.



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.

We use the existing Group Risk Tolerance Structure to compare the climate-related risks and opportunities with other Group risks and integrate them into the Group risk management framework. Since we take a scenario-based approach to assessing climate-related risks, the probability element of risk evaluation is largely intrinsic to the alternative scenarios and we focus mainly on building impact models for different risks. 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 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 52 of this Annual Report Principal Risks and Uncertainties.

Climate risks and opportunities are typically long-term, and the change is gradual. We continue to periodically review our scenario database to see if it is still in line with the latest scientific consensus and completed a further such review during 2023. We consider short-term mitigating actions for immediate action, and these address both risks that have a financial impact and those that don't. 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 non-virgin oil-based raw materials, all of which are reported to the GET on a bi-monthly basis. We continue to wait for approval of our Net-Zero targets by SBTi, following their submission in 2023.

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 regular, quarterly GRMC meetings and the Board also reviews it as a risk on at least an annual basis. Through this mechanism, climate-related risks are fully integrated into the company's risk management system. In addition to this, the Board reviews sustainability KPIs at every Board meeting including KPIs relating to climate issues.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY

At Coats, our commitment to sustainability is integral to our strategic vision. Recognising the importance of climate-related risks and opportunities is paramount in steering our business towards resilience and long-term prosperity. The Task Force on Climate-related Financial Disclosures (TCFD) framework guides us in identifying, assessing and managing climate-related risks and opportunities that could have an impact on our future financial performance.

Our evaluation of the risks and opportunities covers all of Coats' business units although some risks and opportunities are specific to particular divisions, and this is reflected in our assessment of impact magnitude. Through 2023 we have incorporated our footwear structural components acquisitions made in 2022 into the analysis, and this is included within the scope of this report.

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. We selected 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. For all countries in which Coats has manufacturing operations the SSP base data used for the scenarios included population and gross domestic product (GDP), and hence GDP/head and growth rate. To account for the non-linear impact of temperature on human productivity and hence GDP, which is not considered in the SSP data, we incorporated modelling work done by Stanford University which included country level GDP changes due to climate change impacts. In most cases this depresses the future GDP estimates as temperatures climb, but in some Northern hemisphere countries which have a colder baseline it increases the future GDP estimate.

This socioeconomic data is supplemented by World Resources Institute Aqueduct tool data and climate predictions from National Geographic models that are site specific to company locations, together with more detailed site level analysis where risks are identified. This allows us to track a wide range of site-specific measures across extended time horizons and under the different scenarios. This includes winter and summer temperature ranges, precipitation, water stress, water depletion, groundwater table decline, riverine and coastal flood risks and drought risk. This gives us a very comprehensive view of future climate impacts across our operations under the different scenarios and focussed on three time horizons.

A cross functional team works through the scenarios and timelines, and explores the potential impacts that they could have on the business. For each identified risk and opportunity a bespoke financial impact model is developed and updated annually as required.

			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-Fuelled Development 'Taking the High Road'	1.60°C	2.25°C	3.50°C

The three scenarios we built are outlined in the table at the bottom left of this page.

The physical 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 2030, 2045 and 2070 time horizons. The rationale for selection of these time horizons is as follows;

2030: this aligns with our near-term transitional strategy.

2045: this aligns with our medium-term horizon and 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.

2070: is considered our long-term horizon which 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 generally relate to our low carbon scenario and have a greater short-term potential impact, whereas our identified physical risks are significantly greater in the high carbon scenarios with an increase in their potential impact over time. The materiality of risks and opportunities has been determined by considering the financial impact, the level of future certainty and the relationship of the impact to the life of any impacted assets.

The scenarios and resultant financial models have undergone an in-depth independent review by our internal finance team in 2021, with follow-up reviews conducted on new work conducted in 2022 and 2023, as well as on any changes to the models and assumptions.

Further details are outlined on the following pages.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix

Summary of our most material risks and opportunities

Impact	Low	Medium	High
Opportunities	Low	Medium	High
Risks	Low	Medium	High

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	High	Medium	Low	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 and 2 GHG emissions (Tonnes) **Target** 46.2% reduction in Scope 1 & 2 GHG emissions by 2030 from our 2019 baseline
		SSP3	Low	Low	Low		
		SSP5	Low	Low	Low		
Transition: Market and Technology	**Opportunity 1:** Growth in light-weighting products in transport, energy and telecom infrastructure markets, enabling significant increase in market share, given our competitive advantage both from product and an operational sustainability perspectives.	SSP1	High	High	High	Investment in technology and product development is already covered by our Research and Development plans by 2030.	
		SSP3	Medium	Medium	Medium		
		SSP5	Low	Low	Low		
Transition: Market, Technology and Reputation	**Risk 2:** Declining sales due to shifting customer sentiment towards more environmentally friendly product options.	SSP1	Low	Low	Low	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) **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.
		SSP3	Low	Low	Low		
		SSP5	Low	Low	Low		
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.	
		SSP3	Medium	High	High		
		SSP5	Medium	High	High		

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix cont.

Summary of our most material risks and opportunities

Impact			
Opportunities	Low	Medium	High
Risks	Low	Medium	High

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: Regulation and Technology	**Risk 3:** Inability to source sufficient renewable energy to meet emissions reduction targets.	SSP1				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					
		SSP5					
Transition: Regulation and Technology	**Opportunity 3:** Cost benefits from transitioning from fossil fuel generated to renewable electricity.	SSP1				Our commitment to transition to 100% renewable electricity by 2030 will deliver cost opportunities as well as delivering reductions in carbon emissions.	**Metric** % renewable electricity **Target** 100% renewable electricity by 2030
		SSP3					
		SSP5					
Transition: Policy and Technology	**Risk 4:** Inability to source sufficient recycled raw material to fully transition to a low carbon product range and hence achieve the SBTi targets.	SSP1				Since 2020 we have increased 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					
		SSP5					
Physical: Acute	**Risk 5:** Increase in flood damage risk, particularly in our Asian units presents a material risk to the business.	SSP1				Our robust business continuity plans which are regularly updated and refined will assist in ensuring that we have robust contingency plans in place.	
		SSP3					
		SSP5					

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risks and opportunities matrix cont.

						Impact				
						Opportunities	Low	Medium	High	
Summary of our most material risks and opportunities						Risks	Low	Medium	High	
			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: Chronic	**Risk 6:** Disruption of water supply in some units.	SSP1	Low	Low	Low	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 plants if required.				**Metric** % Water Recycling **Target** 33% increase in water recycling rate by 2026 from 2022 baseline
		SSP3	Medium	Medium	Medium					
		SSP5	Medium	Medium	Low					
Physical: Chronic	**Risk 7:** Extreme heat leading to possible need for plant relocation to ones with better temperature regulation.	SSP1	Low	Low	Low	Detailed scenario modelling has generated robust business continuity plans which are regularly updated and refined.				
		SSP3	Low	Low	Medium					
		SSP5	Low	Low	High					

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 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 produces and processes.

Our scenario 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 we expect them to stabilise. Our high carbon scenarios, SSPs 3 and 5, don't envisage there being any carbon taxes.

We expect that the range of carbon taxes could be between \$90 and \$160 per tonne of CO_2e under SSP1, and 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.

We have not currently modelled the risk impact of carbon tax application on our upstream Scope 3 emissions. Whilst the risk impact associated with this would be high, we assume that cost increases would be passed on to clients thus lowering the risk impact to low-to-medium.

For determination of our 2023 financial impact related to Scope 1&2 emissions, we have re-calibrated the baseline of our emissions model to include the Texon and Rhenoflex footwear structural components businesses acquired in 2022, and we have also excluded emissions associated with business divestments made through the course of 2023.

Without remediation, and hence based on current Scope 1&2 emissions levels persisting, the potential for carbon taxes under scenario SSP1 would see an additional annual cost of between \$26 million and \$45 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&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 timeframe. 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&2 emissions (reduction of Scope 1&2 emissions by 46.2% in absolute terms from a 2019 base year), this annual cost increase would range from \$14 million to \$24 million based on our above assumptions of carbon tax rates. We see the pre-mitigation potential costs remaining broadly constant through 2045 and 2070 while the post-mitigation costs would drop to immaterial levels by 2045 and beyond.

We will achieve our Scope 1&2 emissions reduction targets through two programmes. We will continue to deliver improvements in energy efficiency, through our very granular energy monitoring programme that allows us to analyse energy consumption down to machine level in key plants and gain insights that we can deliver to other units. We will also be switching our Scope 2 energy progressively to renewable sources. We will do this 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.

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

Consumer awareness of their carbon footprint is continuing to increase and a growing desire for sustainable living is resulting in changes to demand patterns with an increased preference for lower embedded carbon products. Meeting this demand requires the increased use of recycled, renewable or bio-based materials with lower emission manufacturing processes.

Over the last couple of years, our teams have worked hard to reduce the impact of this risk by meeting supplier targets and standards of our key brands both in terms of emissions reductions and in the specification of the raw materials we use to produce finished thread and footwear structural component products.

Our materials transition strategy is geared towards moving away from use of virgin oil-based raw materials and thus reducing the embedded carbon in our products. This is heavily supplemented by the delivery of our energy transition commitments where we are making positive progress in migrating to renewable supplies of electricity. Continued focus on energy and water intensity reduction projects remains a core part of our utilities strategy, delivering further reduction to the carbon footprint of our products.

Mitigation:

In 2023 we have set a new near term target to reduce our Scope 1&2 emissions by 22% by 2026 from our 2022 baseline, keeping us ahead of our committed and approved science-based targets reduction trajectory. We continue to proactively engage with customers that are at advanced stages with their climate expectations and we ensure that our plans and targets are aligned with theirs.

In 2023 we inaugurated our Sustainability Hub in Maduria, India, where we will spearhead efforts to accelerate our transition to sustainable materials, ensuring delivery of our new 2026 materials transition target of 60% sustainable materials, which will lead to 100% transition by 2030. Staffed with post graduate and PhD expertise in textile engineering, this state-of-the-art facility is working in close collaboration with our Innovation Hub in Shenzhen, China, with external innovation partners and customers on development of highly innovative low carbon materials and processes. Their product development work is primarily focussed on progressing new recycled, renewable and bio-based materials which meet the stringent end-use technical requirements with step reductions in environmental impact.

Risk 3) Regulation and Technology: Inability to source sufficient renewable energy to meet emissions reduction targets.

Many of the countries in which we operate are still subject to energy market regulatory challenges which can make the transition to renewable electricity difficult or impossible at the moment. We assess this risk by considering the alternative cost of buying Energy Attribute Certificates (EACs) to cover our requirements where we cannot gain access to certified renewable energy itself. The potential cost impacts of sourcing EACs will continue, but we expect that the regulatory hurdles that lead to this requirement will have diminished substantially in this time horizon as more countries establish functioning 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. China, Turkey, Vietnam), the regulatory framework is not yet supportive of offsite supply of renewable electricity.

Our programme of installing onsite rooftop solar panels under power purchase agreements with energy suppliers will continue, however this will only ever constitute a fractional portion of our overall energy supply. Continued focus will be given across our facilities on delivering energy intensity improvements through actionable insights delivered from our increasing programme of smart energy metering which has been rolled out across multiple key manufacturing locations. Efficiency programmes for compressed air and steam generation have been key initiatives in this space, along with upgrades of machine motors through use of invertor technology.

Where, due to regulatory constraints, we are unable to transition to renewable electricity in the required timeframe, we will meet our emissions reduction targets through purchase of EACs. The costs associated with this have been evaluated on a weighted basket of current EAC prices across a selection of our key facilities, and we consider the financial risk associated with this currently to be immaterial across all time horizons.

We recognise that prices for EACs, which currently have a wide range (from around \$0.32/MWh to \$3.5/ MWh and with a current weighted average of around \$1.25), might increase or decrease in the coming years and we will continue reviewing this risk in case an increasing price trend changes the risk profile.

Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risk 4) Policy & Technology: Inability to source sufficient recycled raw material to fully transition to a low carbon product range and hence achieve the SBTi targets.

Our initial scenario analysis work in 2020 highlighted the supply of high tenacity recycled polyester fibre was constrained and was preventing us from achieving a faster transition from virgin to recycled polyester. Since recycled polyester has a roughly 40% lower emissions footprint than virgin fibre this is a risk in terms of achieving our emissions reduction targets. Currently, 100% of our recycled polyester comes from PET bottles as we require high-quality material for our products.

Mitigation:

In the last three years we have continued to increase the number of approved suppliers of recycled polyester and currently there is no supply constraint on our growth of recycled product sales, and the growth is dependent on customer dynamics. With the aid of external consultants, we have also established that there are a large number of projects underway to increase the supply of recycled polyester for the textile industry. These include research into biomaterial alternatives to polyester. Their detailed analysis has led to the conclusion that supply will consistently exceed demand beyond 2025.

The 2023 inauguration of our new Sustainability Hub in Madurai will see 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 the short-term (<ten years), therefore, this is not a material risk, and for longer term horizons the recycling and biomaterial supply opportunities will continue to grow.

PHYSICAL RISKS

We are committed to keeping our risk models up to date, and in 2023 have updated for a number of changes including updates on the Aqueduct flood risk tool and new acquisitions and sites. As a result of this analysis we have increased the flood impact over the medium term, under the SSP5 scenario to "high" from "medium".

Risk 5) Acute: Increase in flood damage risk, particularly in our Asian units presents a material risk to the business.

The increased frequency and changing pattern of flooding from both riverine and coastal flooding presents a high risk to six out of 40 of our sites through safety-related evacuations or damage to equipment from water ingress. The impact would be a reduction in revenue and increased capex due to repairs.

Mitigation:

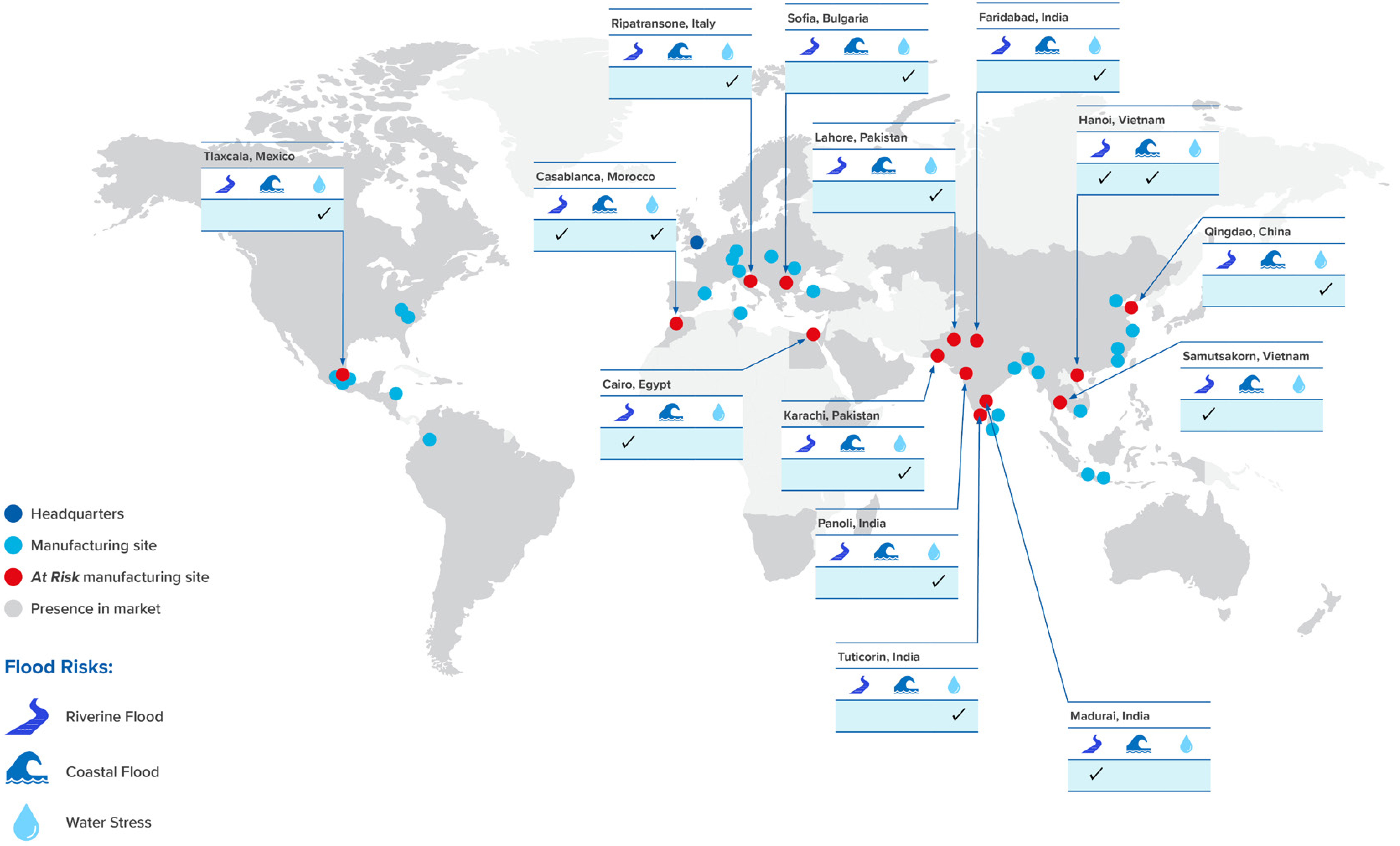
We have used the updated World Resources Institute Aqueduct tools to model water-related issues under our different scenarios at all of our manufacturing operations. Our updated risk analysis and local intelligence has resulted in the reduction of risk of four sites (Ho Chi Minh, Bogor, Dhaka and Chittagong) from the highest risk category, in our low carbon outlook, SSP1.

The exhibit below highlights the manufacturing sites with the highest riverine & coastal flood risk under scenario SSP1. Under the higher carbon scenarios (SSP3 & SSP5), as expected, we see an increase in both riverine and coastal flood risks across all short, medium and longer term time horizons, where the highest risk extends to a further seven sites.

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. To date, there have been no significant incidents of water ingress or flooding, and, with our mitigating activities, 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.



Taskforce on Climate-Related Financial Disclosures cont.

STRATEGY cont.

Risk 6) Chronic: Disruption of water supply in some units.

The WRI Aqueduct tool has identified locations where the high level of water stress could potentially lead to future disruption of water supply, and our ability to operate in those regions. However, despite several sites being located in areas designated with higher water stress, our analysis concluded that there are no significant risks in the low carbon scenarios to water supply identified in the short to longer term time horizons. Our high carbon scenarios would see the risks of water stress increasing and extending to some major plants in our Pakistan units. Turkey, Egypt, India and Morocco are also plants with increasing water stress risks in higher carbon scenarios. The exhibit above highlights sites which are located in areas considered to have high water stress.

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 2023 we have increased our water recycling capacity through operational efficiency, and in 2024 we will be adding recycling capacity through reverse osmosis and ultra-filtration systems. In line with the targets under our Water sustainability pillar, we will continue to prioritise units which operate in areas with higher water stress levels, where we currently recycle 48% of our water, compared to 27% across all manufacturing sites. We target an increase in our water recycling rate by 33% in the period 2023 to 2026.

Risk 7) Chronic: Extreme heat leading to possible need for plant relocation to ones with better temperature regulation.

Global temperature is expected to rise in all three scenarios we studied. We have assessed our risk to extremes in heat, both in terms of severity and time frame under each scenario. The data suggests that the occurrence of high heat days (days over 35°C) at a small number of units (Thailand, India and Pakistan) will increase in such frequency, with a greater impact in the high carbon scenario although not to the extent that would require plant relocations.

Mitigation:

Beyond 2045 there is lower visibility to high heat impacts, but it is reasonable to assume that the impacts will further increase in the high carbon scenarios. Contingency planning is in place for the realignment of plant capacities in the event of extreme weather event as are appropriate insurance policies.

RISKS SUMMARY

Physical risk mitigation from extreme weather are addressed at site level, in conjunction with up-to-date data modelling using the latest WRI Aqueduct data.

The short-term risks are principally transitional risks related to the company's low carbon (SSP1) scenario. The strategy that the company has in place to implement science-based targets for emissions reduction, to transition to renewable electricity and to convert to recycled materials is a robust response to these risks. The medium to long-term risks are mainly physical risks 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, given our competitive advantage both from a product perspective and an operational sustainability perspective.

At Coats we aim to reduce the carbon footprint of our products by using lower carbon (or lower weight) products targeted at markets we have identified as high growth. For the transportation segment, our focus has been on the Electric Vehicle market, where lightweight components are critical to enhanced performance and to maximise range. Coats has developed a technology (Lattice) which allows for almost zero waste production of complex shapes, from textile materials that can be converted into automotive components. The initial use of this product is for underbody shields to improve aerodynamic performance and thereby increasing fuel efficiency. In addition, this technology is being validated in EVs, primarily in battery enclosures but we will also focus on other segments of the automotive market, like high performance sports cars, where reduced weight and a lower carbon footprint are key benefits.

For the energy segment, composite tapes are accelerating the conversion of steel pipes to lighter weight composite pipes improving their deployment times, durability and lifecycle costs.

We produce composite tapes for the energy markets. Known as Gotex Xtru, 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 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. StremX has undergone comprehensive customer validations in 2023, confirming its ability to effectively replace aramid strength members traditionally used in aerial cables. This substitution not only maintains performance but also results in substantial cost savings. In one example, partial substitution of aramid yarns in a 12-fiber cable design with a cable span of 80 meters with StremX, enabled a 35% cost reduction for the cable manufacturer. In addition, thinner lighter-weight cables can also be designed leveraging the superior mechanical properties of StremX.

The potential additional operating profit in 2030 from the growth in this product segment ranges from around $22 million to $33 million. This comes from growth in sales of our light-weighting products, mainly for the telecoms and energy markets. Looking beyond 2030 at this stage is difficult, but continued growth in these segments will continue to be an opportunity.

Strategy to realise opportunity:

Coats is exploring this opportunity through several initiatives and continued investment in R&D, and new product development through the Coats Innovation Hubs in the USA, Gotex (Spain) and Turkey which allow us to develop new products in collaboration with customers. We anticipate achieving this growth minimal capex or using an asset light model, leveraging manufacturing partners and supplier relationships where possible. 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. 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 expect to gain market share with our brand customers as we continue to focus on their environmental commitments and work with our suppliers to ensure that they have clear transition plans towards Net-Zero in 2050. This expectation is underpinned by the trend of more governments following the UK in establishing Net-Zero targets and implementing regulations on emissions, as well as consumer preference continuing to shift to more environmentally friendly products.

We expect that some of our leading brand customers will increase their market share as they have clear environmental standards mandated for their upstream supplier base. Our Scope 1&2 emissions and the embodied carbon of our products are effectively incorporated into Scope 3 emissions of our downstream customers. For our customers to reduce their Greenhouse Gas emissions, they must therefore rely on their upstream suppliers.

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 that we supply to our customers. As Coats' raw materials meet requirements for production with low emissions through increased use of non-virgin oil-based materials, we expect to become a supplier of choice as more brands seek to reduce the carbon footprint of their supply chain to meet their own Net-Zero targets. In transitioning from virgin to recycled polyester feedstocks, we can expect to deliver up to 40% reduction in the cradle to gate embedded CO_2e in our products.

Strategy to realise opportunity:

In the apparel & footwear sectors, we are growing faster than the market, in part due to our strong sustainability agenda. This 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 $52 million to $78 million.

We have developed strong innovation capability in all three of our divisions, with teams of post graduate 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 groundbreaking level of 70% recycled polymers and newly impregnated 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 $8 million and $11 million up to 2030.

In addition our $10 million investment commitment made at COP26 to be focussed on the development of green technologies and materials over the next four years continues. In 2023 the creation of a new custom built Sustainability Hub in Madurai, India was an example of spend from this commitment and will deliver new innovations in recyclable, renewable and bio-based products.

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 59,384 tonnes in FY2023 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 2026 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 2024 will be to review the scenario impacts of these opportunities further and will update on our progress against these in our FY 2024 report.

Opportunity 4) Reduced costs from reduced waste and increased recycling, i.e., expansion of the circular economy.

New rules proposed by the European Commission highlight that all packaging in the EU must be fully recyclable by 2030. The new proposals set a target to reduce packaging waste by 15% by 2040 per Member State per capita through reuse and recycling. According to the Commission, the proposed rules would result in a 23 million tonne reduction in greenhouse gas emissions by 2030, reduce water use by 1.1 million cubic meters and reduce environmental damage costs by €6.4 billion.

Strategy to realise opportunity:

We have invested in systems to measure and manage waste and energy reduction and expect to provide more detailed analysis in coming years. We also focus on improving packaging recyclability and reducing its weight. For example with our structural components, Coats recycles c20% of sheet waste materials. We have targets to increase the sale of recyclable material and for internal waste reduction. Additionally we aspire that by 2030 all our products will be made completely independently of new oil-extraction materials like polyester and nylon. Although our products constitute only c1% of the weight of the final product, we contribute to the broader goal of making the textile industry more circular, through our bio-based set of products and other products that support the recycling of garments at the end of life. Examples of this include Ecocycle, which is a water dissolvable thread at 95°C, with which we are currently working with stakeholders to upscale usage.

Taskforce on Climate-Related Financial Disclosures cont.

SUMMARY OF RISKS AND OPPORTUNITIES

Our TCFD working group have analysed and attempted to quantify the impacts of climate-related risks and opportunities in financial terms under the three outlined scenarios and short, medium and long-term time horizons. When taken in aggregate, we conclude that our risk mitigation strategies, sustainability strategy, and ambition make our business resilient to climate change.

Taking in the impacts associated with our new acquisitions in our 2023 analysis, our overall assessment continues to indicate that the opportunities are of the same broad order of magnitude as the risks in the short-term and are linked to the same scenarios and are therefore considered well balanced. The higher carbon medium and long-term physical risks are higher and we will continue to assess further opportunity areas to be able to comment on the longer-term balance in due course.

We will continue to develop our analysis as new data is made available both internally and externally and we will continue to monitor our climate exposures and action plans through Coats' risk management framework and governance structure. The opportunities identified continue to be developed in line with the company strategy and objectives.

Resilience:

Resilience is evidenced in most of our mitigation approaches described above.

We consider ourselves to be highly resilient to climate-related supplier disruption due to the breadth and geographic spread of our supplier base and the fact that we have alternative sources developed for all key raw material supplies. Having >30,000 customers spread across all geographies ensures a high level of resiliency from a customer perspective. Our single biggest customer impacts less than 10% of our annual revenues.

Additionally, as proven during the Covid pandemic, our global standardisation of ERP systems, master data and product ranges underpins a high level of resilience should any one of our manufacturing units be impacted by extreme weather events. We have proven capability to transfer production schedules from one manufacturing facility to another in a quick and agile manner, enabling customer supply impacts to be minimised.

Taken in aggregate, we conclude that our overall climate risk exposure is low and our existing and planned mitigation strategies mean the Group is financially resilient and strategically robust in relation to climate change. Any impact will be accommodated in our business-as-usual activity, so no fundamental change to business strategy or budgets resulting from climate change are likely to be required for the foreseeable future. In addition, there are no effects of climate-related matters reflected in 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 energy consumption and intensity. We calculate Scopes 1, 2 and 3 emissions in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, and disclose separately here in our Annual Report on page 42 and, in more detail, in our **Sustainability Report**. Senior management remuneration is linked to key sustainability targets including ones related to emissions reductions and details on these can be found in the Remuneration Report on page 91.

At the end of 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&2 emissions from our 2022 baseline, which will take us well beyond the required trajectory for delivery of science-based target emissions reductions by 2030. On a monthly basis we measure the energy source mix and the amount of certified renewable electricity within that. We also measure energy and water intensity metrics as these both contribute to Scope 1&2 emissions reductions.

Our principal metric for managing Scope 3 emissions is the overall transition from virgin oil-based raw materials to sustainable raw materials. At the end of 2022, we set an interim target to source 60% sustainable raw materials, by volume, by 2026 and have a longer term target to transition fully to sustainable raw materials by 2030. With the acquisitions of Texon and Rhenoflex in 2022, we have now fully included them in our 2022 baselines and they are now fully integrated into all of our climate-related metrics reporting.

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. Committing to emission reductions of Scopes 1, 2 and 3 emissions in line with the 1.5°C Pathway up to 2030, and are crucial in managing the risk of not meeting customer expectations. Components of this target include;

– Committed to reduce absolute Scope 1&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.
– The company has developed and submitted for validation Net-Zero targets for our Scopes 1, 2 & 3 emissions for 2050. We expect to receive validation on these targets during 2024.

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 new oil based materials by 2030 as we transition to recycled materials.
– Transition to 60% sustainable raw materials by 2026.

The Net-Zero targets submitted for validation are based on absolute contraction and abatement of emissions from Scopes 1, 2 & 3, and covering all GHGs apart from 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 targets, by when we will have transitioned to 100% renewable electricity and have completed the material transition away from virgin oil based materials, 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 from product and people transportation.

In 2023 we have conducted an extensive project to determine emissions from upstream transportation using generative artificial intelligence and this will set the foundation for us commencing to target high emitting transportation routes enabling transition to zero emissions transportation for land and sea.

The emissions from heat energy in dyeing currently come from burning fossil fuels to produce steam which is used to heat the water. We see two emission reduction roadmaps for this. Our steam generating boilers will all require normal replacement before 2050, any replacement will be done with bioenergy or electric boilers. In parallel we continue to expand the use of dyeing technologies that do not require high temperature water. Our investment in Twine is part of this strategy. We do not, at this stage, anticipate any additional capital or operational costs for achieving Net-Zero that would not occur anyway in terms of asset replacement cycles.

Full details on the progress we are making towards these targets can be seen on the following pages of our **Sustainability Report**.

– Emissions and science-based targets – Pages 24-27 and 31-35.
– Energy source mix, renewable electricity – Page 32.
– Energy Intensity metric – Pages 25 and 70.
– Water Intensity and water recycling metric – Pages 42 and 72.
– Material transition metric – Pages 15 and 26.

In 2023 we commenced preparations for public limited assurance on the performance of our core seven sustainability targets against their 2022 baseline. It is our intention to transition to public limited assurance at the point of reporting on our full year 2024 performance on these metrics.

The principal risks related to these emissions are ones that endanger delivering on the company's targets for 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 and lack of reliable supply of recycled raw materials, and the company has robust programmes to manage these risks.

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	Tharigradsko shouse 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

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
China	Qingdao Coats Limited	No. 6, Sanhuan Road, Jimo Environmental Protection Industrial Park, Jimo District, Shandong, China	US$1.00 Ordinary (90%)
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 Industrial Trading 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	Rhenoflex France SAS	3 rue du Moulin, 49450 St. Macaire en Mauges, France	€188,401.00 Ordinary
France	Texon France SAS	Zone Industrielle de la Bergerie, 10 rue Gustave Eiffel, 49280 La Seguiniere, Maine-et-Loire, Pays de la Loire, France	€1.22104 Ordinary
France	UT France	Zone Industrielle de la Bergerie, 10 rue Gustave Eiffel, 49280 La Seguiniere, Maine-et-Loire, Pays de la Loire, France	€1.51178 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	€126,000.00 Ordinary

Country of Incorporation	Company name	Registered office address	Share class
Germany	Texon Mockmuhl GmbH	Roigheimer Str., 69-72, Mockmuhl, 74219, Germany	€27,041,999.59 Ordinary
Guatemala	Centraltex de Guatemala, S.A.	26 Avenida No. 7-27, Zona 4, Mixco oficina 11, Guatemala	GTQ100.00 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, Guatemala	GTQ1.00 Ordinary
Guatemala	Guatemala Thread Company Sociedad Anonima	39 Avenida, 3-47 Zona 7, Colonia El Rodeo, Guatemala, 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 Opti Hong Kong Limited	Unit 1-4, 10/F, The Broadway, 54-62 Lockhart Road, Wanchai, Hong Kong	HKD1.00 Ordinary
Hong Kong	Coats Thread HK Limited	Unit 1-4, 10/F, The Broadway, 54-62 Lockhart Road, Wanchai, Hong Kong	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

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
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	IDR415.00 Ordinary-A, IDR627.00 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	Rhenoflex Italy S.r.l	Via Borgogna 2, 20122 Milan, Italy	€10.000.00 Ordinary
Italy	Texon Italia S.r.l.	Via Felice, Casati 20, Milan, 20124, Italy	€1.00 Ordinary
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
Mexico	Rhenoflex Shoe-Mat S.R.L. de CV	Sigma 308, Fracc. Industrial Delta, CP 37545 León, Guanajuato, Mexico	MXP500,000.00 Ordinary
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

Country of Incorporation	Company name	Registered office address	Share class
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
Portugal	Coats – Comercio de Linhas, Fechos e Acessorios, Para a Industria SA	Praca Duque de Saldhana, 1, Edif. Atrium Saldanha, Piso 7, Lisbon, 1050-094, Portugal	€1.00 Ordinary Bearer Shares
Portugal	Companhia de Linha Coats & Clark S.A.	Praca Duque de Saldhana, 1, Edif. Atrium Saldanha, Piso 7, Lisbon, 1050-094, Portugal	€1.00 Bare Shares
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

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
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
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

Country of Incorporation	Company name	Registered office address	Share class
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
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

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
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
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

Country of Incorporation	Company name	Registered office address	Share class
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	Skelton Industrial Estate, Skelton, Saltburn-By-The-Sea, Cleveland, TS12 2LH, England, United Kingdom	£1.00 Ordinary
United Kingdom	Texon International Group Limited	Skelton Industrial Estate, Skelton, Saltburn-By-The-Sea, Cleveland, TS12 2LH, England, United Kingdom	£0.0001 A Ordinary, £0.0001 B Ordinary, £0.00001 Deferred Ordinary
United Kingdom	Texon Management Ltd	Skelton Industrial Estate, Skelton, Saltburn-By-The-Sea, Cleveland, TS12 2LH, England, United Kingdom	£1.00 Ordinary
United Kingdom	Texon Non Woven Ltd	Skelton Industrial Estate, Skelton, Saltburn-By-The-Sea, Cleveland, TS12 2LH, England, United Kingdom	£1.00 Ordinary
United Kingdom	Texon Overseas	Skelton Industrial Estate, Skelton, Saltburn-By-The-Sea, Cleveland, TS12 2LH, England, United Kingdom	£1.00 Ordinary
United Kingdom	The Central Agency Limited	Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, United Kingdom	£10.00 Ordinary

Group structure cont.

Country of Incorporation	Company name	Registered office address	Share class
United Kingdom	The Coats Trustee Company Limited	The Pavilions, Bridgwater Road, Bristol, BS13 8FD, United Kingdom	£1.00 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	Skelton Industrial Estate, Skelton, Saltburn-by-the-Sea, Cleveland, TS12 2LH, England, United Kingdom	$0.01 A Ordinary, $0.01 B Ordinary, $0.01 C Ordinary
United Kingdom	Torque Group International Wealth Limited	Skelton Industrial Estate, Skelton, Saltburn-by-the-Sea, Cleveland, TS12 2LH, England, 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$100.00 Ordinary
United States	Jaeger Sportswear Ltd	CT Corporation System, 28 Liberty Street, New York, NY 10005, USA	US$ 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, District 9, 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%)
Italy	Levante S.r.l.	Via Traversa, Di Parezzana 14, 55012, Capannori (LU), Carraia, Italy	€1.00 Ordinary (40%)

Five-year summary

For the year ended 31 December	2019 US$m	2020 US$m	2021 US$m	2022 US$m	**2023 US$m**
Continuing operations (before exceptional and acquisition-related items)[1]:					
Revenue	1,278.8	1,077.1	1,398.6	1,537.6	**1,394.2**
Cost of sales	(812.7)	(737.3)	(941.2)	(1,049.3)	**(910.9)**
Gross profit	466.1	339.8	457.4	488.3	**483.3**
Operating costs	(265.5)	(225.6)	(262.1)	(255.6)	**(249.9)**
Operating profit	200.6	114.2	195.3	232.7	**233.4**
Share of profits from joint ventures	1.1	0.6	1.2	1.1	**1.1**
Finance income	1.7	0.7	0.4	2.6	**4.6**
Finance costs	(29.6)	(25.5)	(21.8)	(32.3)	**(33.9)**
Profit before taxation	173.8	90.0	175.1	204.1	**205.2**
Taxation	(50.5)	(35.2)	(53.3)	(60.1)	**(57.9)**
Profit from continuing operations	123.3	54.8	121.8	144.0	**147.3**
Adjusted earnings per share (cents)	6.97	2.42	7.17	8.02	**8.04**
Dividend per share (cents)	0.55[3]	1.30	2.11	2.43	**2.80**
Adjusted free cash flow ($m)	106.8	28.0	123.8	113.7	**130.5**
Adjusted return on capital employed (%)	42%	22%	45%	31%[2]	**30%**

Notes:

1. The Income Statement amounts for 2019-2022 has been restated following the disposal of the European Zips business. Adjusted earnings per share, adjusted free cash flow and adjusted return on capital employed for 2019-2021 are as previously reported.
2. 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).
3. In March 2020 the Company announced it had taken the decision, given the uncertainties caused by the Covid pandemic, to cancel the proposed 2019 final dividend payment of 1.30 cents per ordinary share which was due to be paid in May 2020.

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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