

Remuneration Committee report



Echo Lu

(Chair since May 2021)

Member since 2017

Steve Murray

Member since 2022

Fran Philip

Member since 2016

Dear Shareholder,

As Chair of the Committee, I am pleased to present the Directors’ Remuneration Report for 2024.

This report consists of three parts: this letter summarising the work of the Committee and the decisions made, the Annual Report on Remuneration for 2024 (the Report), and a summary of the Directors’ Remuneration Policy (the Policy) approved by shareholders at the 2023 AGM.

This letter and the Report will be subject to an advisory vote from shareholders at the 2025 AGM.

Highlights of 2024

- Enabled and supported smooth Executive Director succession planning, including determining the treatment of remuneration for the Group CEO and Group Executive Team (GET) roles and in early 2025, Group CFO roles.
- Balancing the volatility of the macro economic environment and shareholder interests with remuneration packages for our Executive Directors, GET members and wider workforce.
- Considering developments in market practice and the associated implications for the Group.
- Determining the 2023 annual bonus awards and the vesting of the 2021 LTIP award.
- In-depth review of remuneration arrangements within the wider workforce including the annual review of our global Living Wage policy, to which we are proud our employees are above the living wage.
- Reviewing Executive Directors and Group Executive Team salaries.
- Considering the implementation of the Policy for 2025, including performance measures, targets and weightings with early consideration of our policy which will be reviewed in full during 2025.

Areas of focus for 2025

- Reviewing the effectiveness of the current Policy against the current market and developing a new Policy ahead of the 2026 AGM.
- Overseeing the implementation of the current Policy for 2025.
- Setting incentive targets in a continuing challenging macro-environment, ensuring alignment with strategy and shareholder interests, as well as ensuring fairness and transparency.
- Continuing to review workforce remuneration policies to support our environmental, social and governance strategy as well as our Diversity, Equity and Inclusion objectives.

Workforce context

Whilst the challenges of high levels of inflation and cost of living pressures across the geographies in which we operate reduced in 2024 relative to previous years, the Committee remained mindful of these challenges and the need to ensure that the wider workforce were adequately supported, through a combination of approaches, including out of cycle salary increases and amendments to our benefits offering within countries.

Salary increases for the Executive Directors and the Group Executive Team were approved considering the increases applied to the relevant local workforce and their overall position against the market. Increases for our Executive Directors and GET in the UK were positioned below the UK workforce increase of 3.6%, with the exception of the Group CFO who received an exceptional increase of 10% to align her with the full market rate for the role. This increase reflected a number of factors that included her growth in her role and exceptional performance. The Committee also took into account the importance of Group CFO retention during a

Principal objectives of the Remuneration Committee

Our main objectives are to have fair, equitable and competitive reward packages that support our vision and strategy and help ensure that rewards are performance based and encourage longer-term shareholder value creation.

Key responsibilities

- Implementing the Directors’ Remuneration Policy (the Policy).
- Ensuring the competitiveness of reward.
- Designing the incentive plans.
- Setting incentive targets and determining award levels.
- Reviewing workforce remuneration and related policies and the alignment of incentives and rewards with business strategy and culture.
- Engaging with shareholders on remuneration matters, including the Directors’ Remuneration Policy.

Our executive remuneration principles

- Competitive with the local market and industry where we recruit from.
- Rewards the achievement of personal goals for each role.
- Linked to company performance over the short and long term.
- Fair and transparent rewards linked to clear measures and aligned to business strategy and goals.
- Aligned to the principles and operation of the remuneration policy for the wider workforce.
- Ensures that Remuneration appropriately reflects and incentivises the Company’s Sustainability goals.

Remuneration Committee report cont.

critical period of Group CEO transition. As a result, the Committee increased her salary to around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts). This peer set was considered to be of similar size and complexity to Coats given the FTSE ranking of Coats and the nature of the companies in this peer set.

Fran Philip, our Designated Non-Executive for Workforce Engagement, continued her programme of meetings with our employees in all our local markets. Employees were encouraged to discuss matters of remuneration across the Group and raise any issues that they considered appropriate. The impact on remuneration of continued high inflation on employees was raised as part of these discussions in certain geographies.

Incentive structures remain aligned within the Coats business, therefore, the key metrics that apply to senior management compensation are applied consistently throughout the organisation, with our main bonus plan being subject to the same key financial measures as our Executive Directors.

As noted last year, we are in the process of enhancing and harmonising our benefits offering across the Group to ensure we continue to offer the most appropriate packages to our employees and are pleased to see the introduction of our global employee assistance programme in 2025, allowing all our employees to have the assistance they need at the time they need it.

Executive Director changes during 2024

As announced on 30 May 2024, as part of Coats Group plc's leadership succession plan, the Board reached agreement with Rajiv Sharma that he would step down from the Board and role of Group CEO. He stepped down from the Board and role of Group CEO on 30 September 2024.

Given his leaving employment was by way of mutual agreement in connection with the Board's leadership succession plans, the Committee determined that, in line with the discretions included within the relevant plan rules, that he would remain eligible to participate in the annual bonus plan for 2024, pro-rata for his period of employment, and also retain a pro-rata entitlement to his in-flight LTIP awards. Performance conditions will be tested at the end of the relevant performance periods and remain subject to the relevant malus and clawback provisions. In line with typical practice for executives leaving employment part way through a financial year (and Coats' Remuneration Policy), the 2024 bonus will be paid in cash. Rajiv Sharma remains subject to the Company's post-cessation of employment share ownership guidelines and is therefore required to retain 200% of his salary at 30 September 2024 for a period of two years. Further details of Rajiv's remuneration are set out later in this report.

Also announced on 30 May 2024, was the appointment of our new Group CEO David Paja. David commenced employment on 1 September 2024 and became Group CEO on 1 October 2024. David was appointed on a base salary of £720,000, positioning him around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts) which was considered the appropriate level of remuneration given the size and complexity of Coats. The Committee had regard to the remuneration package in his previous role and noted that the structure of his package remains comparable to his previous remuneration package. David's annual bonus and LTIP terms are aligned with those of the former Group CEO. David received a partial buyout, mirroring the terms of remuneration forfeit, in connection with joining Coats. Full details of his remuneration are set out later in this report.

Executive Director changes in 2025

It was announced on 7 January 2025 that our Group Chief Financial Officer, Jackie Callaway, had mutually agreed to step down from the Board at the conclusion of the AGM on 21 May 2025. Her remuneration arrangements on cessation of employment will be treated consistently with the Directors' Remuneration Policy and the relevant plan rules. Our intentions in relation to her leaver terms are set out later in this report.

Also announced on 7 January was the appointment of our new Group CFO, Hannah Nichols. She will join as Group CFO Designate on 24 April 2025 and will become Group CFO at the conclusion of the AGM on 21 May 2025. Hannah's base salary has been set at £465,000 which is around the median of the companies within the top half of the FTSE 250 Index (excluding investment trusts) which is considered the appropriate rate for the role given the size and complexity of Coats. Hannah's remuneration package, including the annual bonus and LTIP terms are aligned with those of our current Group CFO. Hannah will receive a performance related buyout, mirroring the terms of what was forfeit, in connection with her appointment. Further details of her remuneration are set out later in this report.

2024 remuneration outcomes

During 2024, the Group has delivered strong performance; strong Sales and EBIT performance was delivered by a faster than anticipated recovery from the destocking cycle in Apparel and Footwear and continued market share gains, with some offset from subdued end markets in PM. Further detail can be found on page 39.

The 2024 annual bonus outcomes reflect strong financial and strategic performance delivered by our

Executive Directors during the year. All financial elements of the bonus exceeded the maximum target levels. This resulted in 100% of maximum being payable for the financial elements of the 2024 annual bonus.

Page 91 provides further information regarding performance against the Executive Directors' individual objectives and the associated individual outcomes, including the pro-rated bonus paid to David Paja and Rajiv Sharma.

The Committee critically assessed performance for the year and is comfortable that the annual bonus outcome reflects the strong financial and non-financial performance during the year. As a result, no adjustments to the formulaic outcome were made.

With regards to long-term performance, we achieved growth in Normalised EPS over the three-year period ending 31 December 2024 to 9.09 cents, post adjustment for pension buy-in, delivered a total shareholder return of circa 56%, and made strong strategic progress against a balanced scorecard of objectives. This resulted in 80.2% of the total award vesting. Further details, including details of our approach to the pension buy-in, are provided on page 92. As with the annual bonus the Committee reviewed this outcome in the context of performance delivered over the performance period, and the experience of our stakeholders, and concluded that this outcome was a fair reflection of performance. As a result, no adjustments to the formulaic outcome were made.

The Committee can confirm that the Policy approved at the 2023 AGM was implemented in 2024 as the Committee intended and worked effectively. The Committee continues to monitor this on an ongoing basis.

Remuneration Committee report cont.

Implementation of Policy for 2025

As the remuneration arrangements for the Group CEO and the incoming Group CFO were set on appointment, the Committee is comfortable that no material changes are required to remuneration levels for 2025.

No material changes to the measures of the 2025 annual bonus or LTIP grants are envisaged relative to 2024. With a 5% increase in the Sales weighting to 15% under the annual bonus plan and an equal reduction to Free Cash Flow to 25%. All other weightings remain the same.

Base salary – as of 1 January 2025:

Group CEO (David Paja) – £720,000

Outgoing Group CFO (Jackie Callaway) – £474,705

Incoming Group CFO (Hannah Nichols) – £465,000

The Committee remains mindful of institutional investor guidance in relation to salary increases and the compounding impact of Executive Director increases during periods of higher inflation and will continue to balance this with the need to recognise the performance, experience and calibre of the Executive Directors.

Pension – the pension provision for the Executive Directors is aligned to the typical rate of pension provision for the UK workforce of 12%.

Annual bonus – the maximum annual bonus opportunity will remain at 150% of salary for the Group CEO and 125% of salary for the incoming Group CFO with 50% deferred into shares for the Group CEO and 40% for the Group CFO. The deferral period is three years. The performance metrics are as detailed above.

The targets for the annual bonus will be disclosed retrospectively in next year’s Remuneration Report. The Committee is comfortable that the targets reflect our business objectives and will be appropriately stretching.

LTIP – the Long Term Incentive Plan awards are expected to be granted at 175% and 150% of salary for the Group CEO and the incoming Group CFO respectively, with awards vesting subject to three-year performance targets. The award levels are consistent with the awards granted in 2024.

As a result of the leadership changes during the year and the wider market environment, the performance targets to apply to the 2025 awards will be included in the market announcement at the time of granting the awards.

Jackie Callaway, as part of our agreed leadership transition, will remain eligible to earn a pro-rata bonus for her period of employment up to 30 June 2025. Jackie will not be eligible to receive an LTIP grant in respect of 2025.

Conclusion

The Committee is satisfied that the decisions made during 2024 reflect the financial and non-financial performance of the Group during the year and balance the interests of all key stakeholders.

As part of the development of a new Policy ahead of our 2026 AGM, the Committee is planning to engage with our largest shareholders regarding any proposed changes in advance.

I look forward to receiving your support for our Annual Report on Remuneration at our 2025 AGM.

Echo Lu

Chair, Remuneration Committee

5 March 2025

“We are committed to maintaining a GPTW™ for our employees by delivering fair and equitable remuneration practices globally.”

Echo Lu,

Chair, Remuneration Committee



Remuneration Committee report cont.

Remuneration Policy summary (Executive Directors)

Element	Key features of policy
Fixed base and benefits	<div><div>– Base salary is benchmarked against the FTSE 250 and a selected comparator group of similar size and complexity</div><div>– Benefits benchmarked to local market practice and reflect the nature of the Executive's role</div><div>– Pension benefits aligned to the workforce where the role is based</div></div>
Annual bonus	<div><div>– Maximum award opportunity: 150% of base salary</div><div>– 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</div></div>
LTIP	<div><div>– Maximum LTIP award opportunity: 175% of base salary (200% exceptional circumstances)</div><div>– Awards are discretionary and may be made annually</div><div>– Vesting is conditional on three-year performance conditions. Any shares vesting after three years are also subject to an additional two-year holding period</div><div>– 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</div><div>– Any LTIP shares awarded are subject to malus and clawback</div></div>
Shareholding Requirement	<div><div>– 200% of salary within five years of appointment</div><div>– Applies for 2 years post termination of employment based on the lower of the shareholding requirement or the actual shares held on termination</div></div>

Remuneration release profile

	2024	2025	2026	2027	2028
Base salary/Benefits/Pension	Cash & benefits				
Short Term Incentive	Cash	Deferred shares			
Long Term Incentive	Performance Period			Holding Period	

Summary of implementation in 2024

Fixed remuneration	Implementation in 2024
Base salary 1 July 2024 review	<div><div>– Increase of 3.4% for Rajiv Sharma and 10% for Jackie Callaway, against a budgeted increase for the UK workforce of 3.6%. Further details on the increase for Jackie Callaway are provided the Chair's introductory letter.</div><div>– David Paja joined the Group on 1 September 2024 on a salary of £720,000.</div></div>
Pension benefit Aligned to the UK workforce	<div><div>– 12% of salary for all Executive Directors</div></div>
Annual bonus Performance measures: Sales: 10% EBIT margin 20% EBIT: 20% Free Cash Flow: 30% Personal objectives: 20%	<div><div>– For David Paja and Rajiv Sharma, a maximum bonus of 150% of salary pro-rated for time served in the year. David's bonus is subject to a 50% deferral of the outcome into shares, whilst Rajiv's bonus was paid in cash as detailed in the Chair's introductory letter.</div><div>– For Jackie Callaway a maximum bonus of 125% with a deferral of 40% of the outcome in shares.</div><div>– Outcomes for 2024 shown on page 91.</div></div>
Long Term Incentive Performance measures: EPS growth: 30% Average Cash Conversion: 20% Total Shareholder Return: 25% Sustainability: 25%	<div><div>– Grant of 175% of salary to Rajiv Sharma. As set out in the Chair's introductory letter and in line with the approach taken for Rajiv's other in-flight awards, this was pro-rated for time served during the performance period.</div><div>– Grant of 150% of salary to Jackie Callaway.</div><div>– Three-year performance period with subsequent two-year holding period.</div><div>– Targets for 2024-2026 on page 93.</div><div>– David Paja did not receive an LTIP grant in 2024. David received a buy-out award detailed on page 94.</div></div>

